

Financial Statements of the Government of New Zealand

For the Ten Months
Ended 30 April 2003



11 June 2003

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CHANGES TO THESE ACCOUNTS

These accounts are different from the past

These financial statements have been prepared on a basis that is different from the past. In summary, from 1 July 2002, the financial statements will include the full line-by-line consolidation of state-owned enterprises (SOEs) and Crown entities (previously the accounts only consolidated the net surplus in the operating balance and net investment/net worth in the balance sheet). In addition, there are some adjustments that will impact on “core Crown” results (defined below) owing to changes to the treatment of GST on Crown spending and the treatment of the Government Superannuation Fund (GSF).

Pre 1 July 2002 presentation of consolidation	New (and now current) presentation of consolidation
<p>The previous presentation showed:</p> <ul style="list-style-type: none"> • Crown expenses and revenues with net SOE and Crown entity results • Crown assets, liabilities, net Crown debt, gross Crown debt and net worth. The Crown balance sheet only included the net investment in SOEs and Crown entities. 	<p>The new current presentation will show the three institutional forms of:</p> <ul style="list-style-type: none"> • “core Crown” (previous information on revenues and expenses less GST on Crown expenses plus inclusion of full GSF numbers) • SOE revenues, expenses, assets, liabilities • Crown entity revenues, expenses, assets, liabilities. <p>The sum of these three segments (less internal transactions) is the “total Crown”.</p> <p>The core Crown is different from the previous presentation owing to the removal of GST on Crown expenses and the inclusion of the full accounts of the GSF.</p>

The presentation is different – there are some new terms and more information

These accounts result in new formats. While none of the previous information is lost, a richer picture is available of the whole-of-Crown activity.

Key indicators of the operating balance, net worth and gross sovereign-issued debt are the same as previous indicators. A number of new indicators are available and some of the existing indicators have altered due to changes in GST treatment. A section on pages 9 to 13 outline the changes to how the accounts are compiled and includes a table that explains in more detail the changes to the various fiscal indicators.

There is new information, such as the Statement of Segments (reporting by institutional grouping of “core Crown”, SOEs, and Crown entities). The key statements are shown opposite in the Contents page, along with a brief explanation as to their content.

We will also be using the commentary (quarterly) to provide more information on a particular aspect of the Crown’s financial results. In this months set of accounts is a box on page 5 that outlines the reconciliation of the April results to year end estimated actuals reported in the 2003 BEFU.

To assist those users interested in “core Crown” cash flow activity and the New Zealand Government Stock programme we have provided a separate statement on page 36. The “Core Crown Bonds Reconciliation” shows the core Crown cash flow activity reconciled to the issuance by the NZDMO of New Zealand Government Stock. The information is broadly the same as presented in the past, and so excludes New Zealand Government Stock flows between NZDMO and entities such as the GSF and NZS Fund (which are also part of the core Crown).

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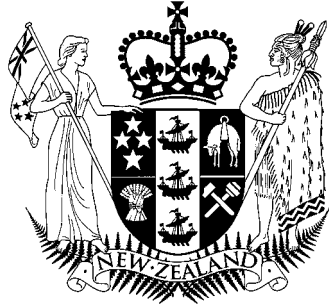
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COMMENTARY

OVERVIEW — TEN MONTHS TO APRIL 2003

Table 1 – Summary Fiscal Indicators (new debt indicators are fully defined on page 10)

\$ million	April	April	Variance \$m	June 2003 Forecast	June 2002 Actual
	Actual YTD	Forecast YTD			
Operating balance	3,258	2,848	410	1,361	2,391
OBERAC	5,659	5,392	267	4,041	2,751
Net worth	22,076	21,684	392	20,197	18,832
Total Crown debt	37,703	37,611	92	37,886	36,747
Gross sovereign-issued debt	35,135	35,045	90	35,015	36,202
% of GDP	27.9	27.8	0.1	27.4	29.6
Net core Crown debt	16,153	16,415	(262)	17,922	17,770

The financial statements for the ten months ended 30 April 2003 are compared against forecasts based on the 2003 Budget Economic and Fiscal Update (2003 BEFU).

As the revised full year forecast were published on 15 May 2003, the majority of the previous months variances were incorporated into the revised full year forecast which has meant there are limited variances this month.

The **operating balance** was \$3,258 million, which was higher-than-forecast by \$410 million. The key drivers of the forecast variance were:

- Tax revenue being higher than forecast by \$194 million. At this stage it is uncertain whether this variance will remain until year-end.
- Sale of goods and services being \$450 million higher than forecast. This was due to improved sales revenue spread over the electricity SOE's. The improvement in sales revenue has been entirely offset by higher cost of goods sold, which is reflected in higher economic and industrial services expenses.
- Investment income being \$127 million higher than forecast, reflecting a slight appreciation in investment assets valuations compared to what was expected at the time of the 2003 BEFU.
- Net foreign-exchange losses being \$60 million lower than forecast (which are not forecast as a matter of policy).

The **OBERAC** was \$5,659 million. The difference between the OBERAC and the operating balance of \$2,401 million is due to investment asset devaluations (\$221 million) and the movement in

the unfunded liability valuation of the GSF (\$1,436 million) and ACC (\$744 million).

Similar to previous years the operating balance and OBERAC are expected to significantly decrease over the next two months (see page 5).

Gross sovereign-issued debt (gross debt issued by the NZDMO) and total Crown debt were similar to forecast. Gross sovereign-issued debt is estimated at 27.9% of GDP.

Net (core) Crown debt was \$262 million lower-than-forecast largely due to the additional issue of circulating currency of \$166 million and delays in capital projects of \$30 million, which is expected to remain at year-end.

Net core Crown debt is expected to significantly increase over the next two months, reflecting the cash impact of the expected decrease in the operating balance.

Key Information

- The monthly Crown financial statements are prepared on the basis of fully consolidating all the revenues, expenses, assets and liabilities of all departments, SOEs and Crown entities.
- Provides a richer picture of the whole-of-Crown activity, without losing previous information (see segment information on pages 22 to 25).
- Key indicators of the operating balance, net worth and gross sovereign-issued debt are the same as previous indicators.
- Other indicators have changed (the table on page 10 provides more detail).

Reconciliation of April results to year end estimated actuals

It is expected that the operating balance and the OBERAC will significantly decrease over the last two months of the financial year to arrive at the estimated actuals reported in the 2003 Budget Economic and Fiscal Update (2003 BEFU).

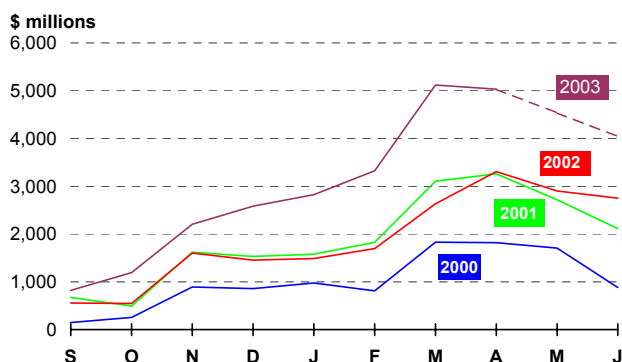
In summary to the reconciliation of the April results to year end is:

\$million	Operating Balance	OBERAC
April results	3,258	5,659
Forecast ACC and GSF year end valuation	(273)	(137)
Improvements in results to forecast at 30 April	(410)	(267)
Expenses exceed revenues for May and June	(1,214)	(1,214)
Full year forecast 2003 BEFU	1,361	4,041

The major factor driving the decrease in both the operating balance and the OBERAC from April to June is expenses are expected to exceed revenues over the next two months. This reflects the usual seasonal pattern where most of the tax revenue is recognised in the first nine months of the financial year, while expenses continue at a constant rate over the whole year.

To illustrate this seasonal trend we can compare monthly OBERAC results from the past three years. Figure 1 illustrates the OBERAC generally spikes in November and March, reflecting the recognition of provisional tax revenue for taxpayers with 31 March balance date. The graph also shows that there is a significant decrease in the OBERAC over the last two months of the year. The average decrease in the OBERAC balance between April and June for the prior three years was around \$1,000 million.

Figure 1 – OBERAC comparison





FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

as at 30 April 2003

1 Reporting Entity

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
- Offices of Parliament
- Government Superannuation Fund
- Crown entities
- Departments
- Reserve Bank of New Zealand
- State-owned enterprises
- Air New Zealand Limited

A schedule of entities included in the Crown reporting entity was set out on pages 106 and 107 of the 2003 Budget Economic and Fiscal Update.

2 General Accounting Policies

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

These Financial Statements have been prepared on a going concern basis and the policies have been applied consistently throughout the period.

3 Specific Accounting Policies

The specific accounting policies of the Crown are reproduced in full on Treasury's website www.treasury.govt.nz/forecast/befu2003.

These financial statements have been prepared on a different basis of consolidation from the official Financial Statements of the Government of New Zealand for the year ended 30 June 2002. The Government has elected to apply the requirements of FRS 37: Consolidating Investments in Subsidiaries from 1 July 2002. This is earlier than the application date contained in FRS 37. The impact of this change is to fully consolidate the activities of SOEs and Crown entities as outlined in detail in section six below.

In addition, as a result of the change to consolidation policy, the classes of property, plant and equipment have been altered. Previously all SOEs and Crown entities were considered a class of asset for revaluation purposes. The physical assets of SOEs and Crown entities are now allocated to the current classes of assets (e.g. land & buildings, or plant & equipment). Three new classes of physical assets have been added to reflect the different nature of physical assets held. These new classes and their revaluation policies are:

- Electricity distribution networks (revalued annually)
- Electricity generation assets (not revalued)
- Aircraft (excluding Specialist Military Equipment) (revalued annually).

Other than the change to the consolidation policy, there are no substantive alterations to the previous existing accounting and forecast policies as a result of implementing full line-by-line consolidation of SOEs and Crown entities for the period 1 July 2002 to 30 April 2003.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 30 April 2003

4 Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the 2003 Budget Economic and Fiscal Update (2003 BEFU), on 15 May 2003.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions reproduced in full on Treasury's website www.treasury.govt.nz/forecast/befu2003.

5 Comparative Figures

Comparative figures for the previous financial year to 30 June 2002 are presented in these Financial Statements. These have been restated from the official Financial Statements of the Government of New Zealand for the year ended 30 June 2002.

As these Financial Statements are the first set of monthly accounts to be prepared under the different basis of consolidation, comparative figures are not available in most cases for the comparative year-to-date period.

Percentage variances between the actual and prior year balances exceeding 500% are not shown.

6 Change in Basis of Consolidation – explanation of changes

The Public Finance Act 1989 and Fiscal Responsibility Act 1994 require the government to produce actual and forecast financial statements in accordance with generally accepted accounting practice (GAAP). This ensures that the financial statements and forecasts of the Crown are prepared on a basis familiar to readers of private sector financial statements – providing a transparent and independently established set of principles on which to measure a government's financial activity.

From 1 July 2002, the financial statements include the full line-by-line consolidation of SOEs and Crown entities (previously the accounts only consolidated the net surplus in the operating balance and net investment/net worth in the balance sheet). In addition, there are some adjustments that will impact on "core Crown" results (defined below) owing to changes to the treatment of GST on Crown spending and the treatment of the Government Superannuation Fund (GSF).

The following table outlines the presentation and how that is changing. It defines the key terms that are used within the following financial statements.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 30 April 2003

Pre 1 July 2002 presentation of consolidation	New (and now current) presentation of consolidation
<p>The previous presentation showed:</p> <ul style="list-style-type: none"> • Crown expenses and revenues with net SOE and Crown entity results • Crown assets, liabilities, net Crown debt, gross Crown debt and net worth. The Crown balance sheet only included the net investment in SOEs and Crown entities. 	<p>The new current presentation will show the three institutional forms of:</p> <ul style="list-style-type: none"> • “core Crown” (previous information on revenues and expenses less GST on Crown expenses plus inclusion of full GSF numbers) • SOE revenues, expenses, assets, liabilities • Crown entity revenues, expenses, assets, liabilities. <p>The sum of these three segments (less internal transactions) is the “total Crown”.</p> <p>The core Crown is different from the previous presentation owing to the removal of GST on Crown expenses and the inclusion of the full accounts of the GSF.</p>

While the presentation has changed it is important to note that the net results for the Crown will be materially the same (ie, operating balance, net worth and gross sovereign-issued debt), although the composition and total of items such as revenues, expenses, assets and liabilities will change.

Impact on presentation of fiscal indicators	
Previous key fiscal indicators	New key fiscal indicators
Crown revenue (revenue collected by departments)	<ul style="list-style-type: none"> • Core Crown revenue (Crown revenue less GST paid by Crown) • Total Crown revenue (core Crown + SOEs + Crown entities less internal transactions)
Crown expenses	<ul style="list-style-type: none"> • Core Crown expenses (Crown expenses less GST) • Total Crown expenses (core Crown + SOE + Crown entity expenses less internal transactions)
Operating balance	<ul style="list-style-type: none"> • Operating balance (little change)
Gross Crown debt	<ul style="list-style-type: none"> • Gross sovereign-issued debt (essentially the same as the previous gross Crown debt)⁴ • Core Crown gross debt (gross Crown debt less cross-holdings with NZS Fund and GSF) • Total Crown gross debt (core Crown gross debt + debt of SOEs and Crown entities less cross-holdings)
Net Crown debt	<ul style="list-style-type: none"> • Net Crown debt (same as current presentation less cross-holdings with NZS Fund and GSF)
Net worth	<ul style="list-style-type: none"> • Net worth (little change)

⁴ Sovereign-issued debt is debt issued by the New Zealand Debt Management Office (NZDMO) and is also defined to include the Reserve Bank given it is integral to the debt management of the Crown; it will exclude debt issued by SOEs and Crown entities and any sovereign-guaranteed debt of SOEs and Crown entities. Gross sovereign-issued debt includes any New Zealand Government stock held by the GSF and NZS Fund. This is essentially the same as the past presentation of gross Crown debt.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 30 April 2003

As noted in the 2002 *Fiscal Strategy Report* (FSR), full consolidation does not alter the Government's fiscal policy approach. The box on page 28 of the 2002 FSR outlines how the presentation of long-term objectives changes, but it is important to note that the underlying focus does not. The focus is a mixture of core Crown and total Crown, reflecting the institutional arrangements by which the Crown is organised, and those elements over which the Government chooses to have day-to-day control, as well as the whole-of-government position.

The fully consolidated basis contains disclosure of the "core Crown", SOEs and Crown entities segments to provide relevant information for fiscal objectives and indicators. The manner in which the fully consolidated information is presented will mean that, going forward, no information within the old presentation will be lost.

7 Illustration of Changes

The following table outlines how the Crown financial statements differ from the old presentation. It highlights the changes to the headline fiscal indicators. The table has been prepared to show the Crown indicators as they were previously calculated (ie, as shown in the 2001 Crown financial statements, which is the core Crown plus equity accounting the SOEs and Crown entities) – column (A), to the new core Crown – column (B) and then to total Crown (full consolidation) – column (C). The last column is the overall change from the previous status quo to full consolidation.

Illustration of full consolidation on presentation of key fiscal indicators

Core Crown comparison and total Crown aggregates as a percentage of GDP as at 30 June 2001						
Table may not add owing to rounding	Crown as currently disclosed	Changes to core Crown only (GST removed, GSF added in)	New core Crown	Changes from new core Crown to total Crown	Total Crown (full consolidation)	Change between current Crown and total Crown
	(A)		(B)		(C)	
Revenue	34.6%	(1.3%)	33.3%	7.6%	40.9%	6.3%
Tax revenue	32.1%	(1.4%)	30.7%	1.5%	32.2%	0.1%
Expenses	33.4%	(1.3%)	32.1%	7.5%	39.6%	6.2%
Net SOEs and Crown entities	0.1%	(0.1%)	N/A	N/A	N/A	(0.1%)
Operating balance	1.2%	(0.1%)	1.1%	0.1%	1.2%	0.0%
Physical assets	23.8%	0.0%	23.8%	16.4%	40.2%	16.4%
Financial assets	14.7%	0.5%	15.2%	4.2%	19.4%	4.7%
Other assets	18.5%	(6.4%)	12.1%	(4.1%)	7.9%	(10.6%)
Total assets	57.0%	(6.0%)	51.0%	16.5%	67.5%	10.5%
Gross debt	32.2%	(2.6%)	29.6%	0.7%	30.3%	(1.8%)
Other liabilities	14.8%	3.1%	17.9%	9.3%	27.1%	12.4%
Total liabilities	46.9%	0.5%	47.5%	10.0%	57.5%	10.5%
Net worth	10.0%	(6.5%)	3.5%	6.5%	10.0%	(0.0%)
Gross sovereign-issued debt	32.2%	0.0%	32.2%	0.0%	32.2%	0.0%
Net Crown debt	17.5%	(2.6%)	14.9%	N/A	N/A	N/A
Net Crown debt (+ assets of NZSF&GSF)	17.5%	(3.0%)	14.4%	(3.5%)	11.0%	(6.5%)

The core Crown

The key change between the old presentation of Crown revenues and expenses and the new "core Crown" (that is, excluding SOEs and Crown entities) is that the GST on Crown spending will be removed (reducing reported tax revenues and expenses with no change to the operating balance). When preparing consolidated financial statements, transactions between entities within the group are removed. From an external viewpoint, GST is a tax paid by the Crown to itself – an internal transaction for the purposes of financial reporting. This change has the impact of lowering the presented revenue- and expense-to-GDP tracks by around 1.3%.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 30 April 2003

A second impact of the difference between the old presentation and the new "core Crown" relates to the treatment of the net liability of the GSF. Previously only the net unfunded liability of the GSF was disclosed as a liability. The new consolidation requirements mean that the Crown is required to disclose the full activity of the GSF within the Crown financial statements. The material impact is on the balance sheet where the existing GSF financial assets of around \$3.3 billion are included and the total liability is also shown (an increase to pension liabilities of \$3.3 billion).⁵ There is no overall impact on net worth but it does alter the net Crown debt indicator.

Total Crown – full line-by-line consolidation

The key change of full line-by-line consolidation is to include within the consolidated Crown results the line-by-line results of SOEs and Crown entities (ie, gross-up revenue, expenses, assets and liabilities). Between the old Crown financial statements and fully consolidated results there is no material change to the total operating balance and net worth. Key movements to the components of the operating balance and net worth include:

- overall gross revenues and expenses increase from the inclusion of SOE and Crown entity third party revenue (eg, ACC levies, sales of goods and services by the SOEs, Lotteries income, etc). The increase in sovereign revenue is mainly due to the inclusion of ACC levies, offset by the removal of GST revenue
- the major expense categories that increase are Other Economic (many of the SOE expenses), Social Welfare (ACC payments) and Education (expenses funded from third party revenue of schools and tertiary education institutions). The following table indicates at a summary level where the expenses of the material SOEs and Crown entities are allocated. Page 15 shows functional classifications of core Crown and total Crown.

Functional classification	Allocation of material SOEs and Crown entities
Social security and welfare	ACC, Public Trust
Health	DHBs, Crown Financing Agency (RHMU)
Education	Schools, Skill NZ (ceased), TEC, Tertiary education institutions
Core government services	Human Rights Commission, Privacy Commissioner
Law and order	Law Commission, Legal Service Agency, NZ Fire Service
Defence	None
Transport and communication	Airways, Air New Zealand, NZ Post, Land Transport Safety Authority, Transfund, Transit
Economic and industrial services	Genesis Power, Meridian Energy, Mighty River Power, Transpower, Solid Energy, Earthquake Commission (EQC), Foundation for Research, Science and Technology, Industry NZ, NZ Trade Development Board, NZ Tourism Board
Primary services	Landcorp, Timberlands, Agriquality NZ, Asure NZ, CRIs
Heritage, culture and recreation	Arts Council, NZ on Air, Hillary Commission, Te Papa, TVNZ, Radio NZ
Housing and community development	Housing NZ Corporation, Quotable Value NZ
Finance costs	Interest costs of entities with debt

⁵ While GAAP requires the inclusion of GSF in the Crown financial statements, the financial assets of the GSF can only be used for the payment of GSF benefits, ie, they are restricted in nature (in much the same way that the assets of the NZS Fund are restricted). As such, the net assets of GSF are also excluded when calculating the net Crown debt indicator.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 30 April 2003

- physical assets increase significantly owing to the Housing New Zealand Corporation housing portfolio, the electricity distribution and generation assets of Transpower, Meridian Energy, Mighty River Power and Genesis Power and, from 2001/02, the assets of Air New Zealand. Other assets reduce as the net investment in SOEs and Crown entities is removed
- borrowings alter by the inclusion of the debt of SOEs and Crown entities less any cross-holdings of Government stock held by ACC, EQC and other Crown entities (as it reduces further the debt of the core Crown)
- other liabilities increase largely from the inclusion of the ACC outstanding claims obligation.

The indicator of gross sovereign-issued debt is unchanged as a result of changing the presentation of the Crown financial statements. This is because gross sovereign-issued debt does not remove any cross-holdings of Government stock.

The increase in revenues and expenses is not as simple as adding existing Crown spending to all spending of SOEs and Crown entities. For example, a lot of the expenses of the core Crown go towards the provision of funding to Crown entities, for example health funding to hospitals. In a set of fully consolidated financial statements, the health expenses of the Crown are replaced with the expenses of the DHBs, so that the same expenses are not counted twice. The Statement of Segments on pages 22 to 25 illustrate how the components of the consolidated Crown operating statement “add up” to the total Crown numbers presented in these Financial Statements.

8 Outstanding Issues

While the fully consolidated Crown actuals and forecasts include the same reporting entity as previously, there are some issues still to be worked through prior to the first audited set of Crown Financial Statements under line-by-line for the 30 June 2003 financial year. These issues may impact on the final form of the fully consolidated Crown forecasts and Crown Financial Statements.

The most significant issue is whether to consolidate tertiary education institution's (TEIs) in the Crown Financial Statements. The issue is not clear-cut. The Treasury and the Ministry of Education are currently working through the issue. In the interim the forecasts and actuals are continuing with the status quo of consolidating TEIs (they were previously equity accounted as agreed by the Finance and Expenditure Select Committee as part of the original decisions taken on implementing accrual accounting back in the early 1990s). Not consolidating the TEIs would have a material impact on the Crown forecasts and Crown Financial Statements as TEIs currently represent an investment in excess of \$2 billion.

STATEMENT OF FINANCIAL PERFORMANCE

for the ten months ended 30 April 2003

Prior Year 30 June 2002 \$m	Actual 30 April 2002 ¹ \$m	Note	Current Year Actual vs Forecast				Annual Forecast	
			Actual \$m	Forecast \$m	Variance \$m	%	\$m	
Revenue								
Levied through the Crown's Sovereign Power								
36,215	-	Taxation revenue	1	33,870	33,676	194	0.6	39,390
2,526	-	Levies, fees, fines and penalties	1	2,221	2,221	-	-	2,618
38,741	-	Total Revenue Levied through the Crown's Sovereign Power	1	36,091	35,897	194	0.5	42,008
Earned through the Crown's Operations								
10,526	-	Sales of goods and services	2	9,904	9,454	450	4.8	11,045
949	-	Investment income	3	944	817	127	15.5	1,157
1,009	-	Other revenue	4	1,309	1,309	-	-	1,637
12,484	-	Total Revenue Earned through the Crown's Operations		12,157	11,580	577	5.0	13,839
51,225	-	Total Crown Revenue		48,248	47,477	771	1.6	55,847
Expenses								
By input type								
14,820	-	Subsidies and transfer payments	5	12,477	12,477	-	-	15,282
12,116	-	Personnel expenses	6	11,180	11,180	-	-	13,245
19,222	-	Operating expenses	7	17,176	16,755	(421)	(2.5)	21,114
-	-	Forecast for future new spending		-	-	-	-	-
2,230	-	Finance costs		1,908	1,908	-	-	2,355
(145)	-	Net foreign-exchange losses/(gains)		18	78	60	76.9	78
231	-	Movement in total GSF liability	14	1,234	1,234	-	-	1,212
360	-	Movement in total ACC liability	15	997	997	-	-	1,200
48,834	-	Total Crown Expenses		44,990	44,629	(361)	(0.8)	54,486
-	-	Minority interest		-	-	-	-	-
2,391	3,308	Operating Balance		3,258	2,848	410	14.4	1,361

¹ As this years monthly financial statements are the first sets to be prepared under Financial Reporting Standard 37 (ie, Line-by-line consolidation of SOEs (including Air New Zealand), Crown entities, and the Government Superannuation Fund), there are no comparatives for the same period in the prior year. Comparatives can be shown for the key net fiscal aggregates of the Operating Balance, Net Worth and Sovereign Issued Government Debt. Full year comparatives are able to be shown.

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

STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

for the ten months ended 30 April 2003

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

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Note	Current Year Actual vs Forecast			Annual Forecast \$m	
			Actual \$m	Forecast \$m	Variance \$m		%
Total Crown expenses							
By functional classification							
15,261	-	Social security and welfare	13,738	13,738	-	-	16,656
1,409	-	GSF pension expenses	2,046	2,046	-	-	2,190
7,556	-	Health	6,523	6,546	23	0.4	8,059
8,095	-	Education	7,272	7,272	-	-	9,132
1,428	-	Core government services	1,184	1,184	-	-	1,509
1,911	-	Law and order	1,566	1,566	-	-	1,932
1,125	-	Defence	921	921	-	-	1,148
3,910	-	Transport and communications	4,304	4,304	-	-	5,479
		Economic and industrial					
3,115	-	services	3,068	2,618	(450)	(17.2)	2,784
957	-	Primary services	828	834	6	0.7	1,067
1,402	-	Heritage, culture and recreation	1,116	1,116	-	-	1,488
		Housing and community					
470	-	development	438	438	-	-	541
110	-	Other	60	60	-	-	68
2,230	-	Finance costs	1,908	1,908	-	-	2,355
		Net foreign-exchange					
(145)	-	losses/(gains)	18	78	60	76.9	78
-	-	Forecast for future new spending	-	-	-	-	-
48,834	-	Total Crown Expenses	44,990	44,629	(361)	(0.8)	54,486
Core Crown expenses							
By functional classification							
13,485	-	Social security and welfare	11,408	11,408	-	-	13,954
1,409	-	GSF pension expenses	2,046	2,046	-	-	2,190
7,032	-	Health	6,172	6,195	23	0.4	7,586
6,473	-	Education	5,745	5,745	-	-	7,152
1,540	-	Core government services	1,284	1,284	-	-	1,650
1,733	-	Law and order	1,412	1,412	-	-	1,760
1,162	-	Defence	957	957	-	-	1,190
989	-	Transport and communications	1,061	1,061	-	-	1,404
		Economic and industrial					
1,013	-	services	864	864	-	-	1,106
304	-	Primary services	268	274	6	2.2	364
434	-	Heritage, culture and recreation	388	388	-	-	530
		Housing and community					
93	-	development	74	74	-	-	109
110	-	Other	61	61	-	-	68
2,118	-	Finance costs	1,783	1,783	-	-	2,133
		Net foreign-exchange					
75	-	losses/(gains)	68	38	(30)	(78.9)	38
-	-	Forecast for future new spending	-	-	-	-	-
37,970	-	Total Expenses	33,591	33,590	(1)	-	41,234

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

STATEMENT OF CASH FLOWS

for the ten months ended 30 April 2003

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance \$m	%	\$m
Cash Flows From Operations						
Cash was provided from						
36,480	-	33,887	33,873	14	-	39,502
2,117	-	2,074	2,074	-	-	2,468
932	-	1,002	1,002	-	-	1,230
39	-	33	33	-	-	41
10,406	-	9,737	9,287	450	4.8	10,905
1,433	-	1,313	1,313	-	-	1,750
51,407	-	48,046	47,582	464	1.0	55,896
Cash was disbursed to						
14,990	-	12,649	12,649	-	-	15,910
27,972	-	26,519	26,069	(450)	(1.7)	30,772
2,700	-	1,751	1,751	-	-	2,296
-	-	-	-	-	-	-
45,662	-	40,919	40,469	(450)	(1.1)	48,978
5,745	-	7,127	7,113	14	0.2	6,918
Cash Flows From Investing Activities						
Cash was provided from						
291	-	131	131	-	-	158
291	-	131	131	-	-	158
Cash was disbursed to						
2,976	-	2,499	2,529	30	1.2	4,188
330	-	749	749	-	-	983
1,223	-	-	-	-	-	-
466	-	5,026	4,830	196	4.1	4,135
-	-	-	-	-	-	-
4,995	-	8,274	8,108	(166)	(2.0)	9,306
(4,704)	-	(8,143)	(7,977)	(166)	(2.1)	(9,148)
1,041	-	(1,016)	(864)	(152)	(17.6)	(2,230)
Cash Flows From Financing Activities						
Cash was Provided From						
196	-	394	228	166	72.8	228
820	-	(210)	(210)	-	-	729
1,016	-	184	18	166	-	957
Cash was Disbursed to						
386	-	(686)	(686)	-	-	(400)
1,054	-	(548)	(548)	-	-	(911)
1,440	-	(1,234)	(1,234)	-	-	(1,311)
(424)	-	1,418	1,252	166	13.3	2,268
617	-	402	388	14	3.6	38
2,173	-	2,771	2,771	-	-	2,771
(19)	-	(9)	(9)	-	-	11
2,771	-	3,164	3,150	14	0.4	2,820

¹ Net sale/(purchase) of marketable securities and deposits includes the purchases made in anticipation of the New Zealand Superannuation Fund contributions of \$1,001 million.

² Net issues of Government stock include movements within government stock holdings of entities such as NZS Fund, GSF, ACC and EQC. The Bonds reconciliation at the end of these accounts outlines NZDMO issues.

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the ten months ended 30 April 2003

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
5,745	-	Net Cash Flows from Operations	7,127	7,113	14	0	6,918
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Valuation changes					
(231)	-	(Increase)/decrease in pension liabilities	(1,234)	(1,234)	-	-	(1,212)
(360)	-	(Increase)/decrease in ACC liabilities	(997)	(997)	-	-	(1,200)
1	-	National Provident Fund guarantee	-	-	-	-	-
24	-	Revaluation of commercial forests	-	-	-	-	-
(162)	-	Unrealised net foreign-exchange (losses)/gains	(304)	(427)	123	29	(427)
-	-	Other valuation changes	-	-	-	-	-
(728)	-	Total valuation changes	(2,535)	(2,658)	123	4.6	(2,839)
		Property, plant & equipment asset movements					
(2,090)	-	Depreciation	(1,951)	(1,951)	-	-	(2,394)
(28)	-	(Loss)/gain on sale of physical assets	(29)	(29)	-	-	(34)
(2,118)	-	Total property, plant & equipment movements	(1,980)	(1,980)	-	-	(2,428)
		Other Non-cash Items					
(86)	-	Student loans	(74)	(74)	-	-	(136)
(23)	-	Amortisation of goodwill	(39)	(39)	-	-	(47)
15	-	Accrued income on NZS Fund	-	-	-	-	69
-	-	Other	1	5	(4)	(80.0)	-
(94)	-	Total Other Non-cash Items	(112)	(108)	(4)	(3.7)	(114)
(248)	-	Total other investing and financing items	-	-	-	-	-
		Movements in Working Capital					
(272)	-	Increase/(decrease) in taxes receivable	407	227	180	79.3	(194)
288	-	Increase/(decrease) in other receivables	1,290	1,290	-	-	534
253	-	(Decrease)/increase in inventories	(1)	(1)	-	-	(29)
(435)	-	(Increase)/decrease in payables	(938)	(1,035)	97	9.4	(487)
(166)	-	Total movements in working capital	758	481	277	57.6	(176)
2,391	-	Operating Balance	3,258	2,848	410	14.4	1,361

STATEMENT OF MOVEMENTS IN EQUITY

for the ten months ended 30 April 2003

12,040	11,463	Opening Crown Balance	18,726	18,726	-	-	18,726
		Asset and liability recognition					
214	-	policy changes	-	-	-	-	-
12,254	11,463	Adjusted Operating Crown Balance	18,726	18,726	-	-	18,726
2,391	3,308	Operating balance for the period	3,258	2,848	410	14.4	1,361
4,187	58	Net revaluations	92	110	(18)	(16.4)	110
6,578	3,366	Total Recognised Revenues and Expenses	3,350	2,958	392	13.3	1,471
18,832	14,829	Closing Crown Balance	22,076	21,684	392	1.8	20,197

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

STATEMENT OF FINANCIAL POSITION

as at 30 April 2003

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Note	Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets							
2,771	-						
	-	8	3,164	3,150	14	0.4	2,820
	-						
16,953	-	8	21,481	21,006	475	2.3	19,762
5,247	-	9	5,760	5,760	-	-	5,789
8,216	-	10	9,913	9,733	(180)	(1.8)	8,556
924	-		923	923	-	-	895
286	-	11	277	277	-	-	304
52,931	-	12	53,318	53,366	(48)	(0.1)	54,598
332	-		332	332	-	-	308
754	-		727	727	-	-	709
-	-		-	-	-	-	-
88,414	-		95,895	95,274	621	0.7	93,741
Liabilities							
10,389	-	13	11,045	11,074	29	0.3	10,572
2,735	-		3,129	2,963	(166)	(5.6)	2,963
	-						
29,851	-		30,109	30,019	(90)	(0.3)	30,041
	-						
6,896	-		7,594	7,592	(2)	-	7,845
12,210	-	14	13,444	13,444	-	-	13,422
7,501	-	15	8,498	8,498	-	-	8,701
69,582	-		73,819	73,590	(229)	(0.3)	73,544
Total Assets less Total Liabilities							
18,832	14,829		22,076	21,684	392	1.8	20,197
Crown Balance							
6,054	-		9,328	8,898	(430)	(4.8)	7,411
12,672	-	16	12,748	12,786	38	0.3	12,786
106	-		-	-	-	-	-
18,832	14,829		22,076	21,684	392	1.8	20,197

¹ Contributions to the New Zealand Superannuation Fund to 30 April 2003 are included as marketable securities and deposits. As at 30 April 2003 the New Zealand Debt Management Office held \$1,685 million marketable securities and deposits on behalf of the New Zealand Superannuation Fund.

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 April 2003

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

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	

New Zealand Superannuation Fund

Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown (for example the NZS Fund may hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock. At this time, the NZS Fund is not yet been provided with any capital contributions, with funds building up with NZDMO in anticipation of contribution in 2003/04. The contribution held is increased by the ORC rate.

-	-	Opening balance	615	615	-	-	615
600	508	Gross contribution	1,001	1,001	-	-	1,200
15	10	Growth in contributions	69	69	-	-	69
615	518	NZS Fund balance	1,685	1,685	-	-	1,884

Gross and Net Debt information

Definitions of debt:

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

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

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

Total Crown Debt							
36,747	-	Total Crown gross debt	37,703	37,611	92	0.2	37,886
36,202	-	Total gross sovereign-issued debt	35,135	35,045	90	0.3	35,015
Core Crown Debt							
34,722	-	Gross Crown debt	34,671	34,581	90	0.3	34,717
(19,521)	-	Financial assets	(22,846)	(22,494)	(352)	(1.6)	(21,368)
15,201	-	Borrowings less financial assets	11,825	12,087	(262)	(2.2)	13,349
		NZS Fund and GSF					
4,049	-	financial assets	4,792	4,792	-	-	4,871
(1,480)	-	Cross-holdings of NZ Govt Stock	(464)	(464)	-	-	(298)
17,770	-	Net Crown Debt	16,153	16,415	(262)	(1.6)	17,922

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

STATEMENT OF BORROWINGS

as at 30 April 2003

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance \$m	%	\$m
Sovereign-Guaranteed Debt						
New Zealand-Dollar Debt						
18,047	-	17,831	17,831	-	-	18,796
5,183	-	5,593	5,593	-	-	5,183
(401)	-	(738)	(738)	-	-	(795)
669	-	780	780	-	-	774
23,498	-	23,466	23,466	-	-	23,958
Foreign-Currency Debt						
3,842	-	3,823	3,733	(90)	(2.4)	3,697
447	-	105	105	-	-	106
2,064	-	2,715	2,715	-	-	2,280
6,353	-	6,643	6,553	(90)	(1.4)	6,083
29,851	-	30,109	30,019	(90)	(0.3)	30,041
Non-Sovereign-Guaranteed Debt						
5,349	-	6,344	6,344	-	-	6,672
1,424	-	1,127	1,125	(2)	(0.2)	1,050
-	-	-	-	-	-	-
123	-	123	123	-	-	123
6,896	-	7,594	7,592	(2)	-	7,845
36,747	-	37,703	37,611	(92)	(0.2)	37,886
Less						
Financial Assets (including restricted assets)						
Marketable Securities, Deposits and Equity Investments						
7,893	-	8,873	8,550	323	3.8	8,256
4,557	-	5,101	4,949	152	3.1	5,294
345	-	137	137	-	-	143
1,162	-	1,731	1,731	-	-	717
1,016	-	953	953	-	-	966
753	-	875	875	-	-	1,261
1,227	-	3,811	3,811	-	-	3,125
16,953	-	21,481	21,006	475	2.3	19,762
Advances and Cash						
4,749	-	5,312	5,312	-	-	5,322
498	-	448	448	-	-	467
2,771	-	3,164	3,150	14	0.4	2,820
8,018	-	8,924	8,910	14	0.2	8,609
24,971	-	30,405	29,916	489	1.6	28,371
11,776	-	7,298	7,695	397	5.2	9,515
12,220	-	11,161	11,498	337	2.9	12,504
(444)	-	(3,863)	(3,803)	60	1.6	(2,989)
11,776	-	7,298	7,695	397	5.2	9,515

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

STATEMENT OF COMMITMENTS

as at 30 April 2003

	As at 30 April 2003 \$m	As at 30 June 2002 \$m	As at 30 April 2002 \$m
Capital Commitments			
Specialist military equipment	336	525	541
Land and buildings	1,295	1,154	387
Other property, plant and equipment	796	312	24
Investments	36	12	266
SOEs and Crown entities	-	-	861
Total Capital Commitments	2,463	2,003	2,079
Operating Commitments			
Non-cancellable accommodation leases	1,377	1,466	797
Other non-cancellable leases	2,791	2,995	1,734
Non-cancellable contracts for the supply of goods and services	1,680	1,998	2,222
Other operating commitments	1,742	2,193	800
SOEs and Crown entities	-	-	3,278
Total Operating Commitments	7,590	8,652	8,831
Total Commitments	10,053	10,655	10,910
Total Commitments by Institutional Segment			
Core Crown	5,402	5,949	6,771
Crown entities	2,338	2,897	2,111
State-owned enterprises	2,313	1,809	2,028
Total Commitments	10,053	10,655	10,910

STATEMENT OF CONTINGENT LIABILITIES

as at 30 April 2003

	As at 30 April 2003 \$m	As at 30 June 2002 \$m	As at 30 April 2002 \$m
Quantifiable Contingent Liabilities			
Guarantees and Indemnities	454	121	385
Uncalled Capital	2,682	3,068	3,253
Legal Proceedings and Disputes	290	342	440
Other Contingent Liabilities	1,517	1,672	1,775
Total Quantifiable Contingent Liabilities	4,943	5,203	5,853
Total Quantifiable Contingent Liabilities by Institutional Segment			
Core Crown	4,742	4,979	5,519
Crown entities	10	24	43
State-owned enterprises	191	200	291
Total Quantifiable Contingent Liabilities	4,943	5,203	5,853

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

STATEMENT OF SEGMENTS

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form)

for the ten months ended 30 April 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast			
	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m
Revenue				
Taxation revenue	34,185	33,991	-	-
Other sovereign levied income	427	427	1,817	1,817
Sales of goods and services	617	617	2,301	2,301
Investment income	987	905	379	315
Other revenues	432	432	11,512	11,512
Total revenue	36,648	36,372	16,009	15,945
Expenses by input type				
Subsidies and transfer payments	11,344	11,344	1,133	1,133
Personnel expenses	3,625	3,625	6,293	6,293
Operating expenses	15,537	15,566	7,762	7,762
Finance costs	1,783	1,783	170	170
FX losses/(gains)	68	38	3	95
GSF and ACC liability revaluation movts	1,234	1,234	997	997
Total expenses	33,591	33,590	16,358	16,450
Expenses by functional classification				
Social security and welfare	11,408	11,408	2,663	2,663
Health	6,172	6,195	4,793	4,793
Education	5,745	5,745	5,669	5,669
Other functional classifications	8,415	8,421	3,060	3,060
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	1,851	1,821	173	265
Total expenses	33,591	33,590	16,358	16,450
Operating balance	3,057	2,782	(349)	(505)

Statement of Financial Position (institutional form)

as at 30 April 2003 (actual to forecast)

(\$ million)	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m
	Assets			
Financial assets	22,846	22,494	10,623	10,486
Physical assets	17,097	17,185	26,123	26,131
Investment in SOEs and CEs	21,901	21,901	-	-
Other assets	8,313	8,133	2,085	2,085
Total assets	70,157	69,713	38,831	38,702
Liabilities				
Borrowings	34,671	34,581	3,458	3,458
Other liabilities	22,324	22,187	11,865	11,865
Total liabilities	56,995	56,768	15,323	15,323
Net worth	13,162	12,945	23,508	23,379
Taxpayer funds	9,698	9,423	15,541	15,404
Revaluation reserves	3,464	3,522	7,967	7,975
Net worth	13,162	12,945	23,508	23,379
Analysis of financial assets and borrowings				
Advances and cash	7,018	7,004	1,902	1,902
MSDs and equity investments	15,828	15,490	8,721	8,584
Total financial assets	22,846	22,494	10,623	10,486
Borrowings - Sovereign guaranteed	34,671	34,581	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,458	3,458
Total borrowings	34,671	34,581	3,458	3,458
Borrowings less financial assets	11,825	12,087	(7,165)	(7,028)
Net Crown debt	16,153	16,415		
Gross sovereign-issued debt	35,135	35,045		

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

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form) for the ten months ended 30 April 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m
Revenue						
Taxation revenue	-	-	(315)	(315)	33,870	33,676
Other sovereign levied income	-	-	(23)	(23)	2,221	2,221
Sales of goods and services	7,296	6,846	(310)	(310)	9,904	9,454
Investment income	35	35	(457)	(438)	944	817
Other revenues	481	481	(11,116)	(11,116)	1,309	1,309
Total revenue	7,812	7,362	(12,221)	(12,202)	48,248	47,477
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	12,477	12,477
Personnel expenses	1,264	1,264	(2)	(2)	11,180	11,180
Operating expenses	5,640	5,190	(11,763)	(11,763)	17,176	16,755
Finance costs	208	208	(253)	(253)	1,908	1,908
FX losses/(gains)	(53)	(55)	-	-	18	78
GSF and ACC liability revaluation movts	-	-	-	-	2,231	2,231
Total expenses	7,059	6,607	(12,018)	(12,018)	44,990	44,629
Expenses by functional classification						
Social security and welfare	-	-	(333)	(333)	13,738	13,738
Health	-	-	(4,442)	(4,442)	6,523	6,546
Education	-	-	(4,142)	(4,142)	7,272	7,272
Other functional classifications	6,904	6,454	(2,848)	(2,848)	15,531	15,087
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	155	153	(253)	(253)	1,926	1,986
Total expenses	7,059	6,607	(12,018)	(12,018)	44,990	44,629
Operating balance	753	755	(203)	(184)	3,258	2,848

Statement of Financial Position (institutional form) as at 30 April 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m
Assets						
Financial assets	2,468	2,468	(5,532)	(5,532)	30,405	29,916
Physical assets	10,098	10,070	-	(20)	53,318	53,366
Investment in SOEs and CEs	-	-	(21,901)	(21,901)	-	-
Other assets	2,462	2,462	(688)	(688)	12,172	11,992
Total assets	15,028	15,000	(28,121)	(28,141)	95,895	95,274
Liabilities						
Borrowings	5,106	5,104	(5,532)	(5,532)	37,703	37,611
Other liabilities	2,999	2,999	(1,072)	(1,072)	36,116	35,979
Total liabilities	8,105	8,103	(6,604)	(6,604)	73,819	73,590
Net worth	6,923	6,897	(21,517)	(21,537)	22,076	21,684
Taxpayer funds	5,606	5,608	(21,517)	(21,537)	9,328	8,898
Revaluation reserves	1,317	1,289	-	-	12,748	12,786
Net worth	6,923	6,897	(21,517)	(21,537)	22,076	21,684
Analysis of financial assets and borrowings						
Advances and cash	975	975	(971)	(971)	8,924	8,910
MSDs and equity investments	1,493	1,493	(4,561)	(4,561)	21,481	21,006
Total financial assets	2,468	2,468	(5,532)	(5,532)	30,405	29,916
Borrowings - Sovereign guaranteed	-	-	(4,562)	(4,562)	30,109	30,019
Borrowings - Non-sovereign guaranteed	5,106	5,104	(970)	(970)	7,594	7,592
Total borrowings	5,106	5,104	(5,532)	(5,532)	37,703	37,611
Borrowings less financial assets	2,638	2,636	-	-	7,298	7,695

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2003 (compared to actual 30 June 2002)

(\$ million)	Prior Year Actual vs Current Year Forecast			
	Core Crown		Crown entities	
	Actual 2002 \$m	Forecast 2003 \$m	Actual 2002 \$m	Forecast 2003 \$m
Revenue				
Taxation revenue	36,459	39,698	-	-
Other sovereign levied income	520	530	2,028	2,115
Sales of goods and services	691	750	3,397	2,742
Investment income	1,287	1,119	348	437
Other revenues	954	515	12,227	14,052
Total revenue	39,911	42,612	18,000	19,346
Expenses by input type				
Subsidies and transfer payments	13,549	13,930	1,271	1,352
Personnel expenses	3,833	4,008	7,157	7,706
Operating expenses	18,167	19,913	8,746	9,312
Finance costs	2,115	2,133	195	212
FX losses/(gains)	75	38	(67)	95
GSF and ACC liability movements	231	1,212	360	1,200
Total expenses	37,970	41,234	17,662	19,877
Expenses by functional classification				
Social security and welfare	13,485	13,954	2,238	3,133
Health	7,032	7,586	5,563	5,784
Education	6,473	7,152	6,176	6,847
Other functional classifications	8,787	10,371	3,556	3,806
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	2,193	2,171	129	307
Total expenses	37,970	41,234	17,662	19,877
Operating balance	1,941	1,378	338	(531)

Forecast Statement of Financial Position (institutional form) as at 30 June 2003 (compared to actual 30 June 2002)

(\$ million)	Core Crown		Crown entities	
	Actual 2002 \$m	Forecast 2003 \$m	Actual 2002 \$m	Forecast 2003 \$m
	Assets			
Financial assets	19,520	21,368	9,945	10,834
Physical assets	29,238	17,680	13,827	25,841
Investment in SOEs and CEs	12,178	22,061	-	-
Other assets	7,613	7,202	2,061	2,196
Total assets	68,549	68,311	25,833	38,871
Liabilities				
Borrowings	34,722	34,717	3,326	3,302
Other liabilities	21,207	22,065	11,006	12,139
Total liabilities	55,929	56,782	14,332	15,441
Net worth	12,620	11,529	11,501	23,430
Taxpayer Funds	6,636	8,007	6,085	15,455
Revaluation reserves	5,984	3,522	5,416	7,975
Minority interest	-	-	-	-
Net worth	12,620	11,529	11,501	23,430
Analysis of financial assets and borrowings				
Advances and cash	6,218	6,586	1,822	2,048
MSDs and equity investments	13,302	14,782	8,123	8,786
Total financial assets	19,520	21,368	9,945	10,834
Borrowings - Sovereign guaranteed	34,722	34,717	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,326	3,302
Total borrowings	34,722	34,717	3,326	3,302
Borrowings less financial assets	15,202	13,349	(6,619)	(7,532)
Net Crown debt	17,770	17,922		
Gross sovereign-issued borrowings	36,202	35,015		

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

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Forecast Statement of Financial Performance (institutional form)
for the year ended 30 June 2003 (compared to actual 30 June 2002)

(\$ million)	Prior Year Actual vs Current Year Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2002 \$m	Forecast 2003 \$m	Actual 2002 \$m	Forecast 2003 \$m	Actual 2002 \$m	Forecast 2003 \$m
Revenue						
Taxation revenue	-	-	(244)	(308)	36,215	39,390
Other sovereign levied income	-	-	(22)	(27)	2,526	2,618
Sales of goods and services	6,816	7,926	(378)	(373)	10,526	11,045
Investment income	27	55	(713)	(454)	949	1,157
Other revenues	319	541	(12,491)	(13,471)	1,009	1,637
Total revenue	7,162	8,522	(13,848)	(14,633)	51,225	55,847
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	14,820	15,282
Personnel expenses	1,126	1,531	-	-	12,116	13,245
Operating expenses	5,453	6,069	(13,144)	(14,180)	19,222	21,114
Finance costs	223	257	(303)	(247)	2,230	2,355
FX losses/(gains)	(153)	(55)	-	-	(145)	78
GSF and ACC liability revaluation movts	-	-	-	-	591	2,412
Total expenses	6,649	7,802	(13,447)	(14,427)	48,834	54,486
Expenses by functional classification						
Social security and welfare	-	-	(462)	(431)	15,261	16,656
Health	-	-	(5,039)	(5,311)	7,556	8,059
Education	-	-	(4,554)	(4,867)	8,095	9,132
Other functional classifications	6,579	7,600	(3,085)	(3,571)	15,837	18,206
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	70	202	(307)	(247)	2,085	2,433
Total expenses	6,649	7,802	(13,447)	(14,427)	48,834	54,486
Operating balance	513	720	(401)	(206)	2,391	1,361

Forecast Statement of Financial Position (institutional form)
as at 30 June 2003 (compared to actual 30 June 2002)

(\$ million)	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2002 \$m	Forecast 2003 \$m	Actual 2002 \$m	Forecast 2003 \$m	Actual 2002 \$m	Forecast 2003 \$m
	Assets					
Financial assets	1,189	1,899	(5,683)	(5,730)	24,971	28,371
Physical assets	9,866	11,077	-	-	52,931	54,598
Investment in SOEs and CEs	-	-	(12,178)	(22,061)	-	-
Other assets	2,271	2,060	(1,433)	(686)	10,512	10,772
Total assets	13,326	15,036	(19,294)	(28,477)	88,414	93,741
Liabilities						
Borrowings	4,382	5,597	(5,683)	(5,730)	36,747	37,886
Other liabilities	2,522	2,593	(1,900)	(1,139)	32,835	35,658
Total liabilities	6,904	8,190	(7,583)	(6,869)	69,582	73,544
Net worth	6,422	6,846	(11,711)	(21,608)	18,832	20,197
Taxpayer Funds	5,044	5,557	(11,711)	(21,608)	6,054	7,411
Revaluation reserves	1,272	1,289	-	-	12,672	12,786
Minority interest	106	-	-	-	106	-
Net worth	6,422	6,846	(11,711)	(21,608)	18,832	20,197
Analysis of financial assets and borrowings						
Advances and cash	764	1,029	(786)	(1,054)	8,018	8,609
MSDs and equity investments	425	870	(4,897)	(4,676)	16,953	19,762
Total financial assets	1,189	1,899	(5,683)	(5,730)	24,971	28,371
Borrowings - Sovereign guaranteed	-	-	(4,871)	(4,676)	29,851	30,041
Borrowings - Non-sovereign guaranteed	4,382	5,597	(812)	(1,054)	6,896	7,845
Total borrowings	4,382	5,597	(5,683)	(5,730)	36,747	37,886
Borrowings less financial assets	3,193	3,698	-	-	11,776	9,515

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
NOTE 1: Revenue Collected Through the Crown's Sovereign Power			
Income Tax Revenue (accrual)			
Individuals			
14,600	- Source deductions	13,251	15,739
4,019	- Other persons	3,796	4,258
(836)	- Refunds	(598)	(834)
361	- Fringe benefit tax	317	371
18,144	- Total Individuals	16,766	19,534
Corporate Tax			
4,517	- Gross companies tax	4,616	4,981
(224)	- Refunds	(125)	(130)
664	- Non-resident withholding tax	600	728
141	- Foreign-source dividend w/holding payments	156	126
5,098	- Total Corporate Tax	5,247	5,705
Other Income Tax			
1,000	- Resident w/holding tax on interest income	897	1,073
20	- Resident w/holding tax on dividend income	55	56
1	- Estate and gift duties	1	1
1,021	- Total Other Income Tax	953	1,130
24,263	- Total Income Tax	22,966	26,369
Goods and Services Tax			
14,638	- Gross goods and services tax	12,337	14,891
(6,642)	- Refunds	(5,017)	(6,123)
7,996	- Total Goods and Services Tax	7,320	8,768
Other Taxation			
874	- Petroleum fuels excise	827	964
815	- Tobacco excise	722	860
666	- Customs duty	627	749
580	- Road user charges	518	621
452	- Alcohol excise	402	470
210	- Gaming duties	203	248
188	- Motor vehicle fees	162	192
111	- Energy resources levies	79	99
60	- Approved issuer levy and cheque duty	44	50
3,956	- Total Other Indirect Taxation	3,584	4,253
11,952	- Total Indirect Taxation	10,904	13,021
36,215	- Total Tax Revenue Collected	33,870	39,390
Other Sovereign Revenues (accrual)			
1,627	- ACC levies	1,470	1,687
205	- Fire Service levies	175	222
75	- EQC levies	64	77
619	- Other miscellaneous items	512	632
2,526	- Total Other Sovereign Revenues	2,221	2,618
38,741	- Total Sovereign Revenue	36,091	42,008

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
NOTE 1: Receipts Collected Through the Crown's Sovereign Power			
Income Tax Receipts (cash)			
Individuals			
14,631	- Source deductions	13,033	15,646
4,500	- Other persons	4,084	4,664
(1,243)	- Refunds	(1,008)	(1,240)
356	- Fringe benefit tax	284	371
18,244	- Total Individuals	16,393	19,441
Corporate Tax			
5,221	- Gross companies tax	5,327	5,798
(760)	- Refunds	(541)	(665)
626	- Non-resident withholding tax	618	717
144	- Foreign-source dividend w/holding payments	137	126
5,231	- Total Corporate Tax	5,541	5,976
Other Income Tax			
989	- Resident w/holding tax on interest income	915	1,073
20	- Resident w/holding tax on dividend income	66	56
2	- Estate and gift duties	1	1
1,011	- Total Other Income Tax	982	1,130
24,486	- Total Income Tax	22,916	26,547
Goods and Services Tax			
14,287	- Gross goods and services tax	12,183	14,541
(6,194)	- Refunds	(4,755)	(5,823)
8,093	- Total Goods and Services Tax	7,428	8,718
Other Taxation			
847	- Petroleum fuels excise	806	959
797	- Tobacco excise	713	860
655	- Customs duty	597	749
579	- Road user charges	518	620
454	- Alcohol excise	384	460
214	- Gaming duties	228	248
184	- Motor vehicle fees	174	190
112	- Energy resources levies	83	100
59	- Approved issuer levy and cheque duty	40	51
3,901	- Total Other Indirect Taxation	3,543	4,237
11,994	- Total Indirect Taxation	10,971	12,955
36,480	- Total Tax Receipts Collected	33,887	39,502
Other Sovereign Receipts (cash)			
1,342	- ACC levies	1,406	1,678
221	- Fire Service levies	188	226
76	- EQC levies	64	78
478	- Other miscellaneous items	416	486
2,117	- Total Other Sovereign Receipts	2,074	2,468
38,597	- Total Sovereign Receipts	35,961	41,970

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
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NOTE 2: Sale of Goods and Services

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

NOTE 3: Investment Income

Investment Income			
752	- Interest income	681	934
335	- Student loans	323	399
48	- Dividends	34	45
(192)	(Losses)/gains on marketable securities - deposits and equity investments	(94)	(221)
6	- Other	-	-
949	- Total Investment Income	944	1,157

NOTE 4: Other Revenue

Unrealised gains arising from changes			
24	- in the value of commercial forests	-	-
22	- GSF contributions	101	115
52	- Petroleum royalties	37	44
3	- Cost recovery income from fisheries	25	31
908	- Other	1,146	1,447
1,009	- Total Other Operational Revenue	1,309	1,637

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
NOTE 5: Subsidies and Transfer Payments			
	Social Assistance Grants		
5,450	- New Zealand superannuation	4,671	5,642
1,271	- ACC payments	1,133	1,352
1,501	- Domestic purposes benefit	1,259	1,519
1,369	- Unemployment benefit	1,078	1,286
862	- Family support	660	935
401	- Student allowances	305	405
3,598	- Other social assistance grants	3,088	3,749
115	- Subsidies	96	132
	Other Transfer Payments		
223	- Official development assistance	162	230
30	- Other	25	32
14,820	- Total Subsidies and Transfer Payments	12,477	15,282

NOTE 6: Personnel Expenses

The Statement of Institutional Segments shows the personnel expenses as a total for each area of the Crown Estate (ie, total personnel expenses for core Crown, Crown entities and SOEs). An expense split by functional classification (e.g. Health, Education, Defence, etc) is under development.

973	- GSF pension costs	812	978
70	- Other pension expenses	65	76
11,073	- Other personnel expenses	10,303	12,191
12,116	- Total Personnel Expenses	11,180	13,245

NOTE 7: Operating Expenses

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

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

	Depreciation expenses:		
679	- Buildings	578	681
88	- Electricity distribution networks	72	89
135	- Electricity generation assets	117	143
164	- Specialist military equipment (SME)	140	171
203	- State highways	176	209
51	- Aircraft (excluding SME)	72	86
530	- Other plant and equipment	588	753
240	- Other assets	208	262
2,090	- Total depreciation costs	1,951	2,394
	Other operating expenses:		
649	- Rental and leasing costs	623	745
345	- Change in provision for doubtful debts	216	269
73	- Write off of bad debts	91	144
23	- Goodwill amortised	39	47
289	- Grants paid	247	292
309	- Lottery prize payments	249	305
28	- Loss/(gain) on sale of assets	29	34
15,416	- Other operating expenses	13,731	16,884
19,222	- Total Operating Expenses	17,176	21,114

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m	
NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments				
By category:				
2,771	-	Total cash	3,164	2,820
13,957	-	Marketable securities and deposits	15,841	14,410
1,980	-	Equity investments (eg, shares)	4,687	4,386
1,016	-	Reserve position at the IMF	953	966
16,953	-	Total MSDs and Equity Investments	21,481	19,762
19,724	-	Cash and MSDs & Equity Investments	24,645	22,582
By portfolio management:				
10,621	-	Reserve Bank and DMO managed funds	11,424	10,001
615	-	NZS Fund (with NZDMO at present)	1,685	1,884
1,940	-	Government Superannuation Fund	3,107	2,695
769	-	EQC portfolio	1,199	2,440
2,046	-	ACC portfolio	2,597	1,266
962	-	Other holdings	1,469	1,476
16,953	-	Total MSDs & Equity Investments	21,481	19,762

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

Nature of financial assets – some are restricted in their purpose

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

New Zealand Superannuation Fund

The assets of the NZS Fund is the Government's means of building up assets to partially pre-fund future NZS expenses and may only be used for NZ Superannuation. The assets in this fund total \$1,685m. The Government's contributions to the NZS Fund are calculated over a 40-year rolling horizon to ensure Superannuation entitlements over the next 40 years can be met.

Government Superannuation Fund

The GSF Authority administers the financial assets of the GSF totalling over \$3.0b. These assets result from contributions by beneficiaries built up through time and can only be applied to the ongoing payment of GSF benefits (as provided by the GSF Act). Also refer Note 14 Outstanding Liability associated with GSF benefits.

EQC – Natural Disaster Fund (NDF)

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

ACC portfolio

The ACC manages the ACC scheme. At present there is a substantial outstanding claims liability associated with past claims in excess of \$7.7b. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 15 Outstanding Claims Liability.

Individual portfolio information (including cross holdings of NZ Government)				
615	-	NZS Fund	1,685	1,844
3,287	-	GSF net assets (including portfolio)	3,085	2,993
3,643	-	ACC portfolio	4,142	4,295
3,944	-	EQC portfolio	4,003	3,973

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
NOTE 9: Advances			
4,749	-	5,312	5,322
66	-	74	74
48	-	-	-
42	-	45	45
30	-	28	29
7	-	6	6
305	-	295	313
5,247	-	5,760	5,789
Analysis of Student Loans			
Outstanding balance			
5,386	-	6,123	6,155
(637)	-	(811)	(833)
4,749	-	5,312	5,322
Movement during the year			
4,143	-	4,749	4,749
935	-	840	952
335	-	323	399
(246)	-	(203)	(251)
(149)	-	(148)	(168)
(276)	-	(255)	(367)
7	-	6	8
4,749	-	5,312	5,322
NOTE 10: Receivables			
4,690	-	5,097	4,496
2,999	-	4,053	3,628
280	-	240	252
247	-	523	180
8,216	-	9,913	8,556
NOTE 11: Other Investments			
106	-	99	99
104	-	96	96
-	-	5	30
76	-	77	79
286	-	277	304

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
NOTE 12: Property, Plant and Equipment			
By Type			
Gross Carrying Value			
7,443	- Land (valuation)	6,173	6,072
486	- Properties intended for sale (valuation)	457	435
19,014	- Buildings (valuation)	21,093	21,689
2,170	- Electricity distribution network (valuation)	2,201	2,255
1,173	- Electricity generation assets (cost)	1,241	1,893
1,580	- Aircraft (ex SME) (valuation)	1,798	1,898
11,945	- State highways (valuation)	12,145	12,183
2,768	- Specialist military equipment (valuation)	2,969	3,200
7,611	- Other plant and equipment (cost)	9,073	9,368
6,910	- Other assets (valuation)	5,804	5,904
61,100	- Total Gross Carrying Value	62,954	64,897
Accumulated Depreciation			
1,587	- Buildings	2,210	2,745
166	- Electricity distribution network	191	233
117	- Electricity generation assets	161	169
-	- Aircraft (ex SME)	72	86
-	- State highways	176	209
589	- Specialist military equipment	728	756
4,123	- Other plant and equipment	5,036	5,133
1,587	- Other assets	1,062	968
8,169	- Total Accumulated Depreciation	9,636	10,299
Net Carrying Value			
7,443	- Land (valuation)	6,173	6,072
486	- Properties intended for sale (valuation)	457	435
17,427	- Buildings (valuation)	18,883	18,944
2,004	- Electricity distribution network (valuation)	2,010	2,022
1,056	- Electricity generation assets (cost)	1,080	1,724
1,580	- Aircraft (ex SME) (valuation)	1,726	1,812
11,945	- State highways (valuation)	11,969	11,974
2,179	- Specialist military equipment (valuation)	2,241	2,444
3,488	- Other plant and equipment (cost)	4,037	4,235
5,323	- Other assets (valuation)	4,742	4,936
52,931	- Total Net Carrying Value	53,318	54,598
By holding			
52,464	- Freehold assets	52,949	53,850
467	- Leasehold assets	369	748
52,931	- Total Net Carrying Value	53,318	54,598
NOTE 13: Payables and Provisions			
6,008	- Accounts payable and accruals	6,426	6,557
1,926	- Taxes repayable	2,272	1,924
590	- Provisions	472	280
685	- National Provident Fund guarantee	685	685
1,180	- Provision for employee entitlements	1,190	1,126
10,389	- Total Payables and Provisions	11,045	10,572

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: GSF Liability

Calculation information

The Government Superannuation Fund (GSF) assets and liabilities have been calculated by the Government Actuary as part of the 2003 Budget Economic and Fiscal Update. The 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 included in the 30 June 2002 Crown financial statements 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 4.9% (4.5% at 30 June 2001). Other principal long-term financial assumptions are an inflation rate, of 2.0% (changed from 1.5% at 30 June 2001) (as measured by the increase in the Consumer Price Index) and annual salary increases rate, before any promotional effects of 3.0% (2.5% at 30 June 2001).

Presentation and forecast approach

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

The approach followed in the past has been to show the movement in the net unfunded liability (ie, liability less assets) as a single net movement in the Statement of Financial Performance. Now the component parts are separated between gross liability movements and gross asset movements.

Regular revaluations occur as part of Crown forecasting processes for the December and Budget Economic and Fiscal Updates. The updated 2003 BEFU forecasts contain a valuation prepared by the Government Actuary, with the liability revalued as at 28 February (which has been included in the March results) and projected forward to 30 June 2003 (and beyond). The asset position is based on forecasts of contributions, investment returns (based on an expected long-run average rate of return) and benefit payments.

The assets of the GSF scheme will fluctuate during the year due to changes in the market value of its investments, particularly the equity investments. These movements will be reflected in the monthly accounts as part of investment income (movements in asset values) and will likely differ from the monthly forecasts. Movements in the value of the assets will also reflect differences in contribution income and benefit payments.

Volatility in monthly results

The forecasts assume a constant long-term rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
GSF liability and asset information			
Gross GSF liability			
11,979	-	12,210	12,210
231	-	1,234	1,212
12,210	-	13,444	13,422
Less net assets available to the GSF scheme			
3,492	-	3,287	3,287
(222)	-	(63)	(145)
17	-	(139)	(149)
(205)	-	(202)	(294)
3,287	-	3,085	2,993
Net unfunded liability of the GSF schemes			
8,487	-	8,923	8,923
436	-	1,436	1,506
8,923	-	10,359	10,429

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: ACC Outstanding Claims Liability

Calculation information

Trowbridge Consulting Pty Limited, Consulting Actuaries, have prepared the independent actuarial estimate of the ACC outstanding claims liability as at 30 June 2002 (and for the forecast information). This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of managing these claims.

Key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI) of 2% (2.4% at 30 June 2001) and discount rate of 6.8% (6.9% at 30 June 2001). Other key variables in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

Presentation approach

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

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

Within the monthly Crown financial statements, the projected liability is presumed to move from the opening position to the projected closing position evenly each month. This is reflected in the actual monthly accounts and is updated as part of regular valuations performed for Crown forecast purposes. The assets held by ACC may fluctuate due to changes in asset values, particularly the equity markets. These movements will also be reflected in the monthly accounts as part of investment income (movements in asset values).

Volatility in monthly results

The forecasts presume a rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
ACC liability and asset information			
Gross ACC liability			
7,141	-	7,501	7,501
360	-	997	1,200
7,501	- Closing gross liability	8,498	8,701
Less net assets available to ACC			
3,262	-	3,865	3,865
603	-	610	662
3,865	- Closing net asset values	4,475	4,527
Net ACC reserves (net liability)			
3,879	-	3,636	3,636
(243)	-	387	538
3,636	- Closing reserves position (net liability)	4,023	4,174

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m	Actual 30 April 2003 \$m	Annual Budget Forecast 12 Months \$m
NOTE 16: Revaluation Reserves			
<i>Movement in Asset Revaluation Reserves</i>			
8,488	- Opening Balance	12,672	12,672
Net Revaluations			
3,315	- Land and buildings	89	92
20	- Electricity distribution network	-	-
-	- Aircraft (ex Specialist Military Equipment)	-	-
736	- State highways	-	-
-	- Specialist military equipment	-	-
116	- Other assets	3	18
4,187	- Total Net Revaluations	92	110
(3)	- Transfers to taxpayer funds	(16)	4
12,672	- Closing Asset Revaluation Reserve	12,748	12,786

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 30 April 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds							
This statement outlines the Core Crown Bonds reconciliation. Government stock balances and flows between the NZDMO, NZS Fund and the GSF are not eliminated. This presents the complete activity of the NZDMO bond programme.							
Core Crown Cash Flows from Operations							
36,762	32,677	Total tax receipts	34,117	34,103	14	-	39,856
318	281	Total other sovereign receipts	329	329	-	-	382
1,188	1,021	Interest, profits and dividends	1,093	1,093	-	-	1,208
1,309	987	Sale of goods & services and other receipts	1,138	1,138	-	-	1,201
(14,343)	(11,220)	Subsidies and transfer payments	(11,672)	(11,672)	-	-	(14,233)
(19,160)	(18,330)	Personnel and operating costs	(18,560)	(18,560)	-	-	(22,038)
(2,300)	(1,947)	Finance costs	(1,715)	(1,715)	-	-	(2,167)
-	-	Forecasts for future new spending	-	-	-	-	-
3,774	3,469	Net Cash Flows From Operations	4,730	4,716	14	0.3	4,209
Investing flows							
<i>Net advances</i>							
(681)	(622)	Student loans	(636)	(636)	-	-	-
(472)	(453)	Housing New Zealand Corporation	(107)	(107)	-	-	-
(75)	(19)	District health boards and CFA	(80)	(80)	-	-	-
70	70	Contact Energy Limited	48	48	-	-	-
45	19	Solid Energy New Zealand Limited	-	-	-	-	-
(2)	-	Other	19	19	-	-	(936)
(1,115)	(1,005)	Total Net Advances	(756)	(756)	-	-	(936)
(1,220)	(939)	Net purchase of physical assets	(780)	(810)	30	3.7	(1,210)
<i>Net investments</i>							
(885)	(885)	Air New Zealand Limited	-	-	-	-	-
(129)	(109)	District health boards	(227)	(227)	-	-	-
(72)	(72)	New Zealand Post Limited	-	-	-	-	-
(42)	-	Housing New Zealand Corporation	(32)	(32)	-	-	-
7	7	At Work Insurance Limited	-	-	-	-	-
(102)	(82)	Other	(93)	(93)	-	-	(485)
(600)	(508)	Net (purchase) of MSDs/equities by NZS Fund	(1,001)	(1,001)	-	-	(1,200)
-	-	Capital contingency provision	-	-	-	-	-
(1,823)	(1,649)	Net (purchase)/sale of Investments	(1,353)	(1,353)	-	-	(1,685)
(384)	(124)	(Required to be financed)/Available for debt repayment	1,841	1,797	44	2.4	378
<i>Used in:</i>							
273	(1,111)	Other net (purchase)/sale of marketable securities and deposits	(1,412)	(1,216)	(196)	(16.1)	(144)
(111)	(1,235)	Total Investing activities	429	581	(152)	(26.2)	234
(136)	500	Net (repayment)/issue of other New Zealand-dollar borrowing	(139)	(139)	-	-	446
(386)	387	Net issue/(repayment) of foreign currency borrowing	663	663	-	-	(692)
(383)	(58)	Net outflows/(inflow) of cash	(94)	(80)	(14)	(17.5)	455
196	275	Issues of circulating currency	394	228	166	72.8	228
(709)	1,104		824	672	152	22.6	437
(820)	(131)	Net (Cash Proceeds from)/Repayments of Domestic Bonds	1,253	1,253	-	-	671
Gross Cash Proceeds from Domestic Bonds							
3,721	3,029	Domestic bonds (market)	2,029	2,029	-	-	2,531
347	199	Domestic bonds (non-market)	278	278	-	-	390
4,068	3,228	Total Gross Cash Proceeds from Domestic Bonds	2,307	2,307	-	-	2,921
(2,594)	(2,594)	Repayment of domestic bonds (market)	(2,823)	(2,823)	-	-	(2,823)
(654)	(503)	Repayment of domestic bonds (non-market)	(737)	(737)	-	-	(769)
820	131	Net Cash Proceeds from/(Repayments of) Domestic Bonds	(1,253)	(1,253)	-	-	(671)