

Financial Statements of the Government of New Zealand

For the Eleven Months
Ended 31 May 2001



6 July 2001

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Officer for Enquiries

Steve Leith
Budget and Macroeconomic Branch
The Treasury (1 The Terrace)
PO Box 3724, Wellington
NEW ZEALAND

Telephone: 64-4-471-5254

Facsimile: 64-4-499-0992

E-mail: steve.leith@treasury.govt.nz

Internet

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COMMENTARY

COMMENTARY — ELEVEN MONTHS TO MAY 2001

	May 2001 Actual YTD	May 2001 Forecast YTD	Variance \$m	June 2001 Forecast	June 2000 Actual
Operating balance	2,718	2,781	(63)	641	1,449
Net worth	11,041	11,071	(30)	10,581	8,583
Net Crown debt	20,054	19,879	(175)	20,432	21,396

The financial statements for the eleven months ended 31 May 2001 are compared against summary forecasts based on the 2001 Budget Economic and Fiscal Update (BEFU).

The operating balance was \$2,718 million, which was \$63 million below forecast. The variances were:

- tax revenue being \$35 million below forecast;
- gains on marketable securities being \$17 million below forecast (which are not forecast as a matter of policy); and
- expenses being \$11 million ahead of forecast (due to other expenses being \$52 million higher than forecast comprising of Treaty of Waitangi settlements, partially offset by health and education being \$40 million lower than forecast).

The operating balance generally decreases over the last three months of the year. This trend is expected to continue with a substantial decrease forecast for June.

The reconciliation to the year-end forecast operating balance is:

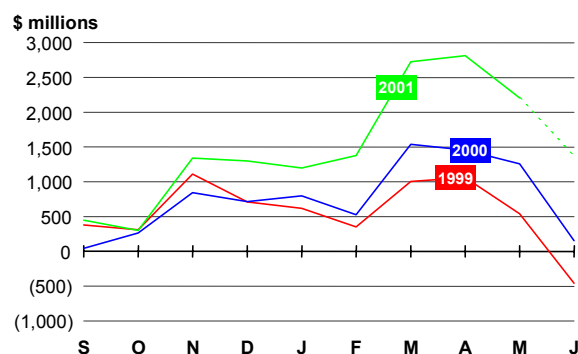
	\$million
May operating balance	2,718
Forecast GSF and ACC year end valuation movements	(1,169)
Expenses exceeding revenue for month of June	(908)
Full year forecast operating balance	641

The two major drivers of the expected decrease in operating balance are:

- the year end revaluation of the ACC and GSF liabilities, which have been forecast to reduce the operating balance by around \$1.2 billion; and
- expenses are expected to exceed revenues in June. This reflects the usual seasonal pattern where most of the tax revenue is recognised in

the first nine months of the year, while expenses accelerate towards the end of the financial year. Figure 1 illustrates the forecast significant decrease in the revenue less expenses in June. The average decrease in the operating balance between 31 May and 30 June for the prior two years was \$1 billion.

Figure 1 – Revenue less expenses (month by month)



At this stage, indications are that the year-end operating balance is likely to be better than forecast. This is due to the likelihood that the valuations of the ACC and GSF liabilities may be less than expected, due to the movement in the underlying interest rates used to discount the liabilities since the BEFU.

Net Crown debt was higher than forecast by \$175 million reflecting the lower than forecast operating balance and circulating currency movements. The shift from the April results (which had net Crown debt at \$92 million lower than forecast) is partially attributable to the change in circulating currency through the month of May 2001.

Due to the 2001 Budget being published 24 May 2001, only summary monthly forecasts for the core financial statements have been prepared for May. Detailed forecast tracks were not prepared for the notes to the financial statements.

COMPARISON WITH PREVIOUS YEAR

	May YTD				Year Ended 30 June			
	2000/01 \$m	1999/00 \$m	\$m	%	1999/00 \$m	1998/99 \$m	1997/98 \$m	1996/97 \$m
Operating Statement								
Total taxation revenue	34,001	31,449	2,552	8.1	34,035	32,156	32,982	31,916
% of GDP	31.0%	30.4%			31.9%	31.6%	33.1%	32.6%
Total non tax revenue	2,461	2,443	18	0.7	2,491	4,201	2,599	2,862
Total Revenue	36,462	33,892	2,570	7.6	36,526	36,357	35,581	34,778
% of GDP	33.3%	32.7%			34.2%	35.7%	35.7%	35.5%
Social security and welfare	12,053	11,756	(297)	(2.5)	12,896	12,906	12,509	11,881
GSF pension expenses	624	610	(14)	(2.3)	478	1,132	494	739
Health	6,592	6,272	(320)	(5.1)	6,874	6,573	6,001	5,626
Education	6,124	5,666	(458)	(8.1)	6,310	5,899	5,714	5,335
Core government services	1,432	1,496	64	4.3	1,710	1,705	1,562	1,667
Other	5,196	4,723	(473)	(10.0)	5,592	5,141	5,114	4,621
Finance costs	2,269	2,173	(96)	(4.4)	2,373	2,516	2,804	3,072
Net foreign exchange (gains) losses	(33)	(63)	(30)	47.6	(62)	(47)	13	12
Total Expenses	34,257	32,633	(1,624)	(5.0)	36,171	35,825	34,211	32,953
% of GDP	31.2%	31.5%			33.9%	35.2%	34.3%	33.6%
SOE/Crown entities net surplus	513	449	64	14.3	575	1,245	1,164	83
ACC Valuation movement	-	-	-	-	519	-	-	-
Operating Balance	2,718	1,708	1,010	59.1	1,449	1,777	2,534	1,908
% of GDP	2.5%	1.6%			1.4%	1.7%	2.5%	1.9%
Financial Position								
SOEs and Crown entities	14,829	13,509	1,320	9.8	14,392	12,917	19,022	18,483
Physical assets	15,840	15,665	175	1.1	15,972	15,258	14,962	14,502
Other assets	32,788	31,718	1,070	3.4	30,059	30,048	28,372	24,983
Total Assets	63,457	60,892	2,565	4.2	60,423	58,223	62,356	57,968
Total Liabilities	52,416	52,643	227	0	51,840	52,201	52,435	50,498
Crown Balance (net worth)	11,041	8,249	2,792	34	8,583	6,022	9,921	7,470
% of GDP	10.1%	8.0%			8.0%	5.9%	10.0%	7.6%
Net Crown debt	20,054	21,242	(1,188)	(6)	21,396	21,701	24,069	25,324
% of GDP	18.3%	20.5%			20.0%	21.3%	24.2%	25.9%
GDP	109,642	103,549			106,771	101,864	99,662	97,933

Taxation revenue was \$2,552 million higher than in the eleven months ended May 2000, largely reflecting the increased tax rate for personal incomes over \$60,000, higher corporate profitability, higher interest rates increasing withholding tax on interest-bearing deposits and higher GDP flowing through in various tax types.

Education expenses were \$458 million higher than last year. The increase in expenditure reflects demographic changes as well as new policy initiatives.

Health expenses were \$320 million higher than the previous year, due to providing new services and maintaining existing service levels as a result of demographic, price inflation and technology growth pressures.

Other expenses were \$473 million higher than last year largely reflecting policy initiatives introduced in the 2000 Budget Update.

The investment in SOEs and Crown entities was \$1,320 million higher than the previous year primarily due to the reduction in the ACC outstanding claims liability valuation (\$519 million) and asset revaluations undertaken by Electricity SOE's at the end of the 1999/2000 financial year.

Net Crown debt has reduced due mainly to positive net cashflows from operating activities and circulating currency for the current financial year offset by purchases of physical assets.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the eleven months ended 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
		Revenue						
		Levied through the Crown's Sovereign Power						
21,499	19,940	Direct taxation	1	22,215	22,233	(18)	(0.1)	23,662
12,536	11,509	Indirect taxation	2	11,786	11,803	(17)	(0.1)	12,824
34,035	31,449	Total taxation revenue		34,001	34,036	(35)		36,486
376	327	Compulsory fees, fines, penalties and levies		339	339	-	-	380
34,411	31,776	Total Revenue Levied through the Crown's Sovereign		34,340	34,375	(35)	(0.1)	36,866
		Earned through the Crown's Operations						
1,157	1,063	Investment income	3	1,222	1,239	(17)	(1.4)	1,316
641	611	Sales of goods and services		598	598	-	-	656
343	442	Other operational revenue	4	302	302	-	-	363
(26)	-	Unrealised (losses)/gains arising from revaluations of commercial forests		-	-	-	-	-
2,115	2,116	Total Revenue Earned through the Crown's Operations		2,122	2,139	(17)	(0.8)	2,335
36,526	33,892	Total Revenue		36,462	36,514	(52)	(0.1)	39,201
		Expenses	5					
		By functional classification						
12,896	11,756	Social security and welfare		12,053	12,055	2	-	13,263
478	610	GSF pension expenses		624	624	-	-	1,146
6,874	6,272	Health		6,592	6,612	20	0.3	7,272
6,310	5,666	Education		6,124	6,144	20	0.3	6,733
1,710	1,496	Core government services		1,432	1,432	-	-	1,590
1,531	1,324	Law and order		1,406	1,406	-	-	1,583
1,247	1,081	Defence		1,140	1,140	-	-	1,280
1,036	940	Transport and communications Economic and industrial services		910	910	-	-	1,011
944	738	Primary services		1,010	1,010	-	-	1,150
265	224	Heritage, culture and recreation		238	238	-	-	289
456	341	Housing and community development		367	367	-	-	428
68	35	Other		39	38	(1)	(2.6)	50
45	40	Finance costs		86	34	(52)	(152.9)	34
2,373	2,173	Net foreign-exchange (gains)/losses		2,269	2,269	-	-	2,484
(62)	(63)	Provision for future initiatives		(33)	(33)	-	-	(33)
-	-			-	-	-	-	-
36,171	32,633	Total Expenses		34,257	34,246	(11)	-	38,280
355	1,259	Revenue Less Expenses		2,205	2,268	(63)	(2.8)	921
		Net surplus, less distributions, attributable to state-owned enterprises and Crown entities	8	513	513	-	-	(280)
1,094	449			2,718	2,781	(63)	(2.3)	641
1,449	1,708							

The accompanying Notes are an integral part of these Statements.

STATEMENT OF FINANCIAL POSITION

as at 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets								
210	219	Cash and bank balances		193	150	43	28.7	53
10,440	11,662	Marketable securities and deposits		11,909	12,136	(227)	(1.9)	11,772
3,995	4,039	Advances	6	4,503	4,503	-	-	4,647
5,520	5,887	Receivables	7	6,171	6,171	-	-	5,498
274	349	Inventories		264	264	-	-	214
State-owned enterprises and								
14,392	13,509	Crown entities	8	14,829	14,828	1	-	14,179
338	324	Other investments	9	340	340	-	-	320
15,972	15,665	Physical assets	10	15,840	15,789	51	0.3	15,966
369	395	Commercial forests		370	359	11	3.1	359
8,911	8,840	State highways	11	9,035	9,035	-	-	10,696
2	3	Intangible assets		3	3	-	-	3
-	-	Capital contingency provision		-	-	-	-	-
60,423	60,892	Total Assets		63,457	63,578	(121)	(0.2)	63,707
Liabilities								
5,240	4,735	Payables and provisions	12	4,881	4,946	65	1.3	4,867
2,236	2,222	Currency issued		2,553	2,570	17	0.7	2,570
36,041	37,162	Borrowings		36,659	36,668	9	-	36,904
8,323	8,524	Pension liabilities		8,323	8,323	-	-	8,785
51,840	52,643	Total Liabilities		52,416	52,507	91	0.2	53,126
8,583	8,249	Total Assets Less Total Liabilities		11,041	11,071	(30)	(0.3)	10,581
Crown Balance								
382	557	Accumulated operating balance		3,110	3,172	(62)	(2.0)	2,682
8,201	7,692	Revaluation reserve	13	7,931	7,899	32	0.4	7,899
8,583	8,249	Crown Balance		11,041	11,071	(30)	(0.3)	10,581

The accompanying Notes are an integral part of these Statements.

STATEMENT OF MOVEMENTS IN EQUITY

for the eleven months ended 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
6,022	6,022	Opening Crown Balance	8,583	8,583	-	-	8,583
1,449	1,708	Operating balance for the period	2,718	2,781	(63)	(2.3)	641
1,112	519	Net revaluations	(260)	(293)	33	11.3	(293)
2,561	2,227	Total Recognised Revenues and Expenses	2,458	2,488	(30)	(1.2)	348
-	-	State highway recognition policy change	-	-	-	-	1,650
8,583	8,249	Closing Crown Balance	11,041	11,071	(30)	(1)	10,581

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS

for the eleven months ended 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Cash Flows From Operations							
Cash was provided from Direct Taxation							
Individuals							
12,920	11,759	Source deductions	12,522	12,522	-	-	13,710
3,553	3,425	Other persons	3,983	3,937	46	1.2	4,116
(1,043)	(963)	Refunds	(1,043)	(1,013)	(30)	(3.0)	(1,101)
306	305	Fringe benefit tax	323	321	2	0.6	332
15,736	14,526	Total Individuals	15,785	15,767	18	0.1	17,057
Companies							
4,726	4,374	Gross companies	4,970	5,005	(35)	(0.7)	5,434
(618)	(570)	Refunds	(631)	(599)	(32)	(5.3)	(666)
4,108	3,804	Total Companies	4,339	4,406	(67)	(1.5)	4,768
1,566	1,472	Withholding taxes	1,734	1,723	11	0.6	1,809
1	1	Other direct taxation	2	2	-	-	2
21,411	19,803	Total Direct Taxation	21,860	21,898	(38)	(0.2)	23,636
Indirect Taxation							
Goods and services tax							
13,664	12,406	Gross goods and services tax	13,325	13,189	136	1.0	14,495
(4,852)	(4,402)	Refunds	(5,135)	(5,024)	(111)	(2.2)	(5,513)
8,812	8,004	Total goods and services tax	8,190	8,165	25	0.3	8,982
2,014	1,786	Excise duties	1,794	1,785	9	0.5	1,975
1,627	1,473	Other indirect taxation	1,563	1,591	(28)	(1.8)	1,737
12,453	11,263	Total Indirect Taxation	11,547	11,541	6	0.1	12,694
33,864	31,066	Total Taxation Receipts	33,407	33,439	(32)	(0.1)	36,330
308	266	Compulsory fees, fines, penalties and levies	280	280	-	-	323
Other Receipts							
1,070	943	Interest, profits and dividends	788	788	-	-	894
621	593	Sales of goods and services	585	585	-	-	638
341	412	Other operating receipts	387	387	-	-	382
2,032	1,948	Total Other Receipts	1,760	1,760	-	-	1,914
36,204	33,280	Total cash provided from operations	35,447	35,479	(32)	(0.1)	38,567
Cash was disbursed to							
4,447	4,227	Departmental outputs	4,300	4,300	-	-	4,888
15,303	13,883	Other outputs	14,750	14,790	40	0.3	16,171
2,507	2,469	Finance costs	2,450	2,450	-	-	2,443
131	114	Subsidies	116	116	-	-	174
Current transfers							
12,615	11,614	Social assistance grants	11,847	11,849	2	-	12,995
238	208	Other transfers	220	220	-	-	255
-	-	Provision for future initiatives	-	-	-	-	-
35,241	32,515	Total cash disbursed to operations	33,683	33,725	42	0.1	36,926
963	765	Net Cash Flows From Operations	1,764	1,754	10	0.6	1,641

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the eleven months ended 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
963	765	Subtotal (brought forward)	1,764	1,754	10	0.6	1,641
		Cash Flows From Investing Activities					
		Cash was provided from					
(130)	(121)	Net sale/(purchase) of investments	167	167	-	-	85
1,983	953	Net (purchase)/sale of marketable securities and deposits	(1,032)	(948)	(84)	(8.9)	(930)
250	196	Sale of physical assets	65	65	-	-	96
2,103	1,028	Total cash provided	(800)	(716)	(84)	(11.7)	(749)
		Cash was disbursed to					
309	269	Net increase in advances	596	596	-	-	665
1,160	982	Purchase of physical assets	1,044	1,044	-	-	1,313
-	-	Capital contingency provision	-	-	-	-	-
1,469	1,251	Total cash disbursed	1,640	1,640	-	-	1,978
634	(223)	Net Cash Flows From Investing Activities	(2,440)	(2,356)	(84)	(3.6)	(2,727)
1,597	542	Net Cash Flows From Operating and Investing Activities	(676)	(602)	(74)	(12.3)	(1,086)
		Cash Flows From Financing Activities					
		Cash was Provided From					
275	262	Issues of circulating currency	317	334	(17)	(5.1)	334
2,867	2,678	Issues of Government stock Other New Zealand-dollar borrowing ¹	3,540	3,540	-	-	1,083
453	971	Borrowing in foreign currencies ¹	1,062	198	864	436.4	(314)
1,683	1,342		3,629	-	3,629	-	(177)
5,278	5,253	Total Cash Provided	8,548	4,072	4,476	109.9	926
		Cash was Disbursed to					
3,305	3,305	Repayment of Government stock Repayment of other New Zealand- dollar borrowing ¹	3,167	3,167	-	-	-
1,280	770	Repayment of foreign-currency borrowing ¹	893	-	(893)	-	-
2,318	1,758		3,835	366	(3,469)	-	-
6,903	5,833	Total Cash Disbursed	7,895	3,533	(4,362)	(123.5)	-
(1,625)	(580)	Net Cash Flows From Financing Activities	653	539	114	21.2	926
(28)	(38)	Net Movement in Cash	(23)	(63)	40	63.5	(160)
230	230	Opening Cash Balance	210	210	-	-	210
8	27	Foreign-exchange gains/(losses) on opening cash	6	3	3	100.0	3
210	219	Closing Cash Balance	193	150	43	28.7	53

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

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the eleven months ended 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation Between the Operating Balance and Net Cash Flows from Operations							
1,449	1,708	Operating Balance	2,718	2,781	(63)	(2.3)	641
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Valuation Changes					
26	-	Revaluation of commercial forests	-	-	-	-	-
(92)	(89)	Unrealised net foreign-exchange gains	(43)	(10)	(33)	(330)	(10)
(66)	(89)	Total Valuation Changes	(43)	(10)	(33)	(330.0)	(10)
		Physical Asset Movements					
791	729	Depreciation	762	762	-	-	856
(7)	(9)	Loss/(gain) on sale of physical assets	4	3	1	33.3	3
784	720	Total Physical Asset Movements	766	765	1	0.1	859
		Other Non-cash Items					
		Net surplus, less distributions, attributable to state-owned enterprises and Crown entities	(513)	(513)	-	-	280
(1,094)	(449)	Gain on sale of Vehicle Testing New Zealand Limited	-	-	-	-	-
(14)	(14)	Movement in pension liabilities	-	-	-	-	462
(201)	-	Other	(84)	(84)	-	-	-
208	(46)						
(1,101)	(509)	Total Other Non-cash Items	(597)	(597)	-	-	742
(36)	23	Total other investing and financing items	(76)	6	(82)	-	-
		Movements in Working Capital					
(164)	(274)	(Increase)/decrease in taxes receivable	(686)	(686)	-	-	(187)
(168)	(363)	(Increase)/decrease in other receivables	(14)	(14)	-	-	209
47	(28)	Decrease/(increase) in inventories	10	10	-	-	60
218	(423)	(Decrease)/increase in payables	(314)	(501)	187	37.3	(673)
(67)	(1,088)	Total movements in working capital	(1,004)	(1,191)	187	15.7	(591)
963	765	Net Cash Flows from Operations	1,764	1,754	10	0.6	1,641

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the eleven months ended 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2001 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation of Net Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds							
963	765	Net Cash Flows From Operations	1,764	1,754	10	0.6	1,641
Investing flows							
<i>Net advances</i>							
4	29	Housing Corporation of New Zealand	(15)	(15)	-	-	-
101	101	Contact Energy Limited	-	-	-	-	-
(528)	(497)	Student loans	(639)	(639)	-	-	-
47	47	Residual Health Management Unit	43	43	-	-	-
(40)	(40)	Solid Energy New Zealand Limited	-	-	-	-	-
-	-	District health boards	-	-	-	-	-
107	91	Other	15	15	-	-	(665)
(309)	(269)	Total Net Advances	(596)	(596)	-	-	(665)
(910)	(786)	Net purchase of physical assets	(979)	(979)	-	-	(1,217)
<i>Net investments</i>							
(46)	(35)	District health boards	(36)	(36)	-	-	-
-	-	Capital Properties New Zealand Limited	62	62	-	-	-
(29)	(29)	At Work Insurance Limited	50	50	-	-	-
19	19	Vehicle Testing New Zealand Limited	-	-	-	-	-
-	-	2GHz radio spectrum rights auction proceeds	140	140	-	-	-
(74)	(76)	Other	(49)	(49)	-	-	85
-	-	Capital Contingency Provision	-	-	-	-	-
(130)	(121)	Net sale/(purchase) of Investments	167	167	-	-	85
(386)	(411)	Available for debt repayment/(Required to be financed)	356	346	10	2.9	(156)
<i>Used in:</i>							
Net (purchase)/sale of marketable securities and deposits							
1,983	953		(1,032)	(948)	(84)	(8.9)	(930)
1,597	542	Total Investing activities	(676)	(602)	(74)	(12.3)	(1,086)
(827)	201	Net issue/(repayment) of other New Zealand-dollar borrowing	169	198	(29)	(14.6)	(314)
(635)	(416)	Net (repayment)/issue of foreign currency borrowing	(206)	(366)	160	43.7	(177)
28	38	Decrease/(increase) in cash	23	63	(40)	(63.5)	160
275	262	Issues of circulating currency	317	334	(17)	(5.1)	334
(1,159)	85		303	229	74	32.3	3
438	627	Net (Cash Proceeds from)/Repayments of Domestic Bonds	(373)	(373)	-	-	(1,083)
Gross Cash Proceeds from Domestic Bonds							
1,924	1,735	Domestic bonds (market)	2,879	2,879	-	-	3,588
598	598	Domestic bonds (non-market)	661	661	-	-	661
345	345	Inflation bonds	-	-	-	-	-
2,867	2,678	Total Gross Cash Proceeds from Domestic Bonds	3,540	3,540	-	-	4,249
(3,011)	(3,011)	Repayment of domestic bonds (market)	(2,651)	(2,651)	-	-	(2,650)
(294)	(294)	Repayment of domestic bonds (non-market)	(516)	(516)	-	-	(516)
(438)	(627)	Net Cash Proceeds from/(Repayments of) Domestic Bonds	373	373	-	-	1,083

The accompanying Notes are an integral part of these Statements.

STATEMENT OF BORROWINGS

as at 31 May 2001

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Outstanding Debt							
New Zealand-Dollar Debt							
22,239	22,053	Government stock	22,619	22,619	-	-	23,370
5,370	6,076	Treasury bills	6,077	6,077	-	-	5,455
230	548	Loans and foreign-exchange contracts	(318)	(318)	-	-	(188)
474	476	Retail stock	494	494	-	-	471
28,313	29,153	Total New Zealand-Dollar Debt	28,872	28,872	-	-	29,108
Foreign-Currency Debt							
4,329	4,645	United States dollars	4,776	4,298	(478)	(11.1)	4,298
2,054	1,947	Japanese yen	1,442	1,916	474	24.7	1,916
1,345	1,417	European and other currencies	1,569	1,582	13	0.8	1,582
7,728	8,009	Total Foreign-Currency Debt	7,787	7,796	9	0.1	7,796
36,041	37,162	Total Outstanding Debt	36,659	36,668	9	-	36,904
Less							
Financial Assets							
Marketable Securities and Deposits							
2,324	3,272	New Zealand dollars	3,864	3,923	(59)	(1.5)	3,559
4,467	5,017	United States dollars	4,904	4,472	432	9.7	4,472
2,277	1,921	Japanese yen	1,564	2,129	(565)	(26.5)	2,129
1,372	1,452	European and other currencies	1,577	1,612	(35)	(2.2)	1,612
10,440	11,662	Total Marketable Securities and Deposits	11,909	12,136	(227)	(1.9)	11,772
Advances and Cash							
259	258	Advances to state-owned enterprises and Crown entities	234	234	-	-	264
3,523	3,569	Student loans	4,059	4,059	-	-	4,155
213	212	Other advances	210	210	-	-	228
210	219	Cash	193	150	43	28.7	53
4,205	4,258	Total Advances and Cash	4,696	4,653	43	0.9	4,700
14,645	15,920	Total Financial Assets	16,605	16,789	(184)	(1.1)	16,472
21,396	21,242	Net Crown Debt	20,054	19,879	(175)	(0.9)	20,432
21,870	21,725	Net New Zealand-dollar debt	20,312	20,296	(16)	(0.1)	20,849
(474)	(483)	Net foreign-currency debt	(258)	(417)	(159)	(38.1)	(417)
21,396	21,242	Net Crown Debt	20,054	19,879	(175)	(0.9)	20,432

The accompanying Notes are an integral part of these Statements.

STATEMENT OF BORROWINGS (CONTINUED)

as at 31 May 2001

Movements in Net Crown Debt Since 30 June 2000

	As at 1 July 2000 \$m	Increases/ Additions \$m	Decreases/ Repayments \$m	Foreign Exchange Contracts \$m	Currency Realignment \$m	Unamortised Premiums \$m	As at 31 May 2001 \$m
Outstanding Debt							
By Type							
New Zealand-dollar debt	28,313	4,644	(4,028)	-	-	(57)	28,872
Foreign-currency debt	7,728	3,658	(4,018)	-	400	19	7,787
Total Outstanding Debt	36,041	8,302	(8,046)	-	400	(38)	36,659
Less							
Financial Assets							
Marketable securities and deposits	10,440	80,218	(79,213)	46	396	22	11,909
Advances and cash	4,205	1,113	(628)	-	6	-	4,696
Total Financial Assets	14,645	81,331	(79,841)	46	402	22	16,605
Net Crown Debt	21,396	(73,029)	71,795	(46)	(2)	(60)	20,054

STATEMENT OF COMMITMENTS

as at 31 May 2001

	As at 31 May 2001 \$m	As at 30 June 2000 \$m	As at 31 May 2000 \$m
Capital Commitments			
Specialist military equipment	672	321	335
Land and buildings	69	87	292
Other plant and equipment	44	63	67
Investments	196	17	16
State-owned enterprises and Crown entities	731	1,016	1,162
Total Capital Commitments	1,712	1,504	1,872
Operating Commitments			
Non-cancellable accommodation leases	766	789	606
Other non-cancellable leases	1,815	1,858	2,932
Non-cancellable contracts for the supply of goods and services	418	432	321
Other operating commitments	1,103	1,071	1,146
State-owned enterprises and Crown entities	1,958	2,713	1,889
Total Operating Commitments	6,060	6,863	6,894
Total Commitments	7,772	8,367	8,766

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.

STATEMENT OF CONTINGENT LIABILITIES

as at 31 May 2001

	As at 31 May 2001 \$m	As at 30 June 2000 \$m	As at 31 May 2000 \$m
Quantifiable Contingent Liabilities			
Guarantees and Indemnities	358	592	592
Uncalled Capital	3,616	3,210	3,179
Legal Proceedings and Disputes	489	542	538
Other Contingent Liabilities	2,164	1,983	1,740
Total Quantifiable Contingent Liabilities	6,627	6,327	6,049

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

The accompanying Notes are an integral part of these Statements.

STATEMENT OF ACCOUNTING POLICIES

as at 31 May 2001

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

A schedule of entities included in the Crown reporting entity was set out on pages 118 and 119 of the 2001 Budget Economic and Fiscal Update (BEFU) published on 24 May 2001.

General Accounting Policies

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of assets.

Revaluations are made to reflect the service potential or economic benefit obtained through control of the assets. 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.

Specific Accounting Policies

The specific accounting policies of the Crown were described on pages 131 to 144 of the 2001 BEFU. There have been no changes in accounting policies during the period 1 July 2000 to 31 May 2001.

Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the 2001 BEFU, on 24 May 2001.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions on pages 131 to 144 of the 2001 BEFU.

Comparative Figures

Comparative figures for the previous financial year are also presented in these Financial Statements.

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

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 1: Direct Taxation				
Income Tax				
Individuals				
12,972	11,837	Source deductions	12,507	13,710
3,123	2,971	Other persons	3,662	3,625
(625)	(536)	Refunds	(656)	(660)
306	276	Fringe benefit tax	315	342
15,776	14,548	Total Individuals	15,828	17,017
Companies				
4,270	4,058	Gross companies	4,801	4,936
(112)	(110)	Refunds	(109)	(118)
4,158	3,948	Total Companies	4,692	4,818
Withholding Taxes				
723	649	Residents' interest income	895	963
735	690	Non-residents' income	666	720
58	45	Residents' dividend income	65	66
47	59	Foreign-source dividends	68	76
1,563	1,443	Total Withholding Taxes	1,694	1,825
21,497	19,939	Total Income Tax	22,214	23,660
Other Direct Taxation				
2	1	Estate and gift duties	1	2
2	1	Total Other Direct Taxation	1	2
21,499	19,940	Total Direct Taxation	22,215	23,662
NOTE 2: Indirect Taxation				
Goods and Services Tax				
14,085	12,823	Gross goods and services tax	13,789	14,925
(5,214)	(4,686)	Refunds	(5,500)	(5,883)
8,871	8,137	Total Goods and Services Tax	8,289	9,042
Excise Duties				
808	757	Petroleum fuels	767	830
777	715	Tobacco products	714	780
442	419	Alcoholic beverages	412	445
2,027	1,891	Total Excise Duties	1,893	2,055
Other Indirect Taxation				
612	541	Customs duty	607	640
507	467	Road user charges	489	537
58	51	Stamp, cheque and credit card duties	56	65
177	161	Motor vehicle fees	164	176
176	162	Gaming duties	188	202
108	99	Energy resources levy	100	107
1,638	1,481	Total Other Indirect Taxation	1,604	1,727
12,536	11,509	Total Indirect Taxation	11,786	12,824

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 3: Investment Income				
Interest Income				
		Marketable securities, deposits, mortgages and cash balances	381	390
426	383	Advances		
		Student loans	263	276
249	224	Other entities	47	50
46	42	Total Interest Income	691	716
721	649			
Dividend Income				
		Dividends from state-owned enterprises		
		Electricity Corporation of New Zealand Limited	9	-
15	15	Genesis Power	15	-
-	-	Land Corporation Limited	19	-
-	7	Meridian Energy Limited	68	-
133	133	Mighty River Power Limited	21	-
-	-	New Zealand Post Limited	7	-
18	7	Television New Zealand Limited	32	-
51	51	Trans Power New Zealand Limited	87	-
103	103	Other	9	305
14	6	Housing Corporation Of New Zealand	-	-
12	12	Housing New Zealand Limited	12	-
87	87	Other dividends	4	30
16	16	Total Dividend Income	283	335
449	437			
Other Investment Income				
		Gains/(losses) on marketable securities and deposits	106	123
(25)	(37)	Gain on sale of Vehicle Testing New Zealand Limited	-	-
14	14	2GHz radio spectrum rights auction proceeds	140	140
-	-	Other	2	2
(2)	-	Total Other Investment Income	248	265
(13)	(23)			
1,157	1,063	Total Investment Income	1,222	1,316
NOTE 4: Other Operational Revenue				
		Recoveries from Accident Compensation Corporation	97	102
92	212	Contributions to Government Superannuation Fund	21	26
25	21	Petroleum royalties	65	68
46	41	Cost recovery income from Fisheries	27	29
27	25	Income from Earthquake Commission	9	10
10	9	Other	83	128
143	134	Total Other Operational Revenue	302	363
343	442			

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 5: Expenses by Input Type				
		Subsidies and transfer payments (see analysis below)	12,135	13,299
12,960	11,814	Operating expenses (see analysis below)	15,797	17,522
16,792	14,810	Personnel		
		Personnel expenses (excluding pension expenses)	2,388	2,681
2,527	2,276	GSF Pension expenses	624	684
679	610	Movement in GSF unfunded pension liability	-	462
(201)	-	Other pension expenses	56	53
57	52	Depreciation		
		Physical assets	678	764
709	653	State highways	84	92
82	76	Rental and leasing costs	255	269
262	241	Loss/(gain) on sale of assets	4	3
(7)	(9)	Finance costs (see analysis below)	2,269	2,484
2,373	2,173	Net foreign-exchange losses/ (gains) on liabilities	279	475
		Net foreign-exchange (gains)/ losses on assets	(312)	(508)
(1,059)	(1,135)	Provision for future initiatives	-	-
-	-	Total Expenses	34,257	38,280
36,171	32,633			
Analysis of Subsidies and Transfer Payments				
		Social Assistance Grants		
		New Zealand superannuation	4,828	5,273
5,068	4,633	Domestic purposes benefit	1,324	1,435
1,433	1,316	Community wage	1,704	1,836
1,937	1,787	Family support	795	896
910	823	Student allowances	349	392
376	329	Other social assistance grants	2,815	3,091
2,863	2,601	Subsidies	103	124
136	119	Other Transfer Payments		
		Official development assistance	192	227
219	188	Other	25	25
18	18	Total Subsidies and Transfer Payments	12,135	13,299
12,960	11,814			
Analysis of Operating Expenses				
		Education purchases		
		Early childhood education	298	331
325	291	Primary and secondary education	3,233	3,534
3,405	3,122	Tertiary education and training	1,373	1,512
1,380	1,269	Health purchases	6,254	6,744
6,400	5,852	Science purchases	427	467
424	386	Other operating expenses	4,212	4,934
4,858	3,890	Total Operating Expenses	15,797	17,522
16,792	14,810			
Analysis of Finance Costs				
		Interest		
		New Zealand dollars	1,853	2,046
1,993	1,829	Foreign currencies	399	418
355	321	Other finance costs	17	20
25	23	Total Finance Costs	2,269	2,484
2,373	2,173			

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 6: Advances				
Advances to State-owned Enterprises and Crown Entities				
		Housing Corporation of New Zealand	152	164
137	136	Residual Health Management Unit	37	5
80	80	District health board's	-	50
-	-	Solid Energy New Zealand Limited	45	45
41	41	Terralink NZ Limited	-	-
1	1			
		Total Advances to State-owned Enterprises and Crown Entities	234	264
259	258			
Other Advances				
		Student loans	4,059	4,155
3,523	3,569	Contact Energy Limited	118	117
117	117	Forestry encouragement loans	26	29
29	28	Maori development rural lending	39	49
36	35	Catchment authorities	8	6
7	7	Other	19	27
24	25			
3,736	3,781	Total Other Advances	4,269	4,383
3,995	4,039	Total Advances	4,503	4,647
NOTE 7: Receivables				
		Taxes receivable	4,911	4,412
4,225	4,335	Accounts receivable	980	916
1,029	1,209	Receivable from the sale and purchase of Maui gas	119	112
175	177	Prepayments	161	58
91	166			
5,520	5,887	Total Receivables	6,171	5,498

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: Ownership Interest in State-owned Enterprises and Crown Entities

	Investment as at 1 July 2000 \$m	Net surplus \$m	Distributions to Crown \$m	Net surplus after distributions \$m	Net revaluations to revaluation reserve \$m	Net capital (withdrawals)/ contributions by Crown \$m	Investment as at 31 May 2001 \$m
State-owned enterprises	5,507	420	(267)	153	(6)	(50)	5,604
Crown entities	8,885	373	(13)	360	(1)	(19)	9,225
Total State-owned Enterprises and Crown Entities	14,392	793	(280)	513	(7)	(69)	14,829

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 9: Other Investments				
111	104	International Bank for Reconstruction and Development	118	118
78	86	Public Trust Office	78	58
109	96	Asian Development Bank	107	107
40	38	Other	37	37
338	324	Total Other Investments	340	320
NOTE 10: Physical Assets				
By Type				
Cost or Valuation				
1,830	2,273	Land	1,862	1,875
441	441	Properties intended for sale	429	450
8,749	8,243	Buildings	8,472	8,567
2,753	2,545	Specialist military equipment	2,585	2,689
2,097	2,017	Other plant and equipment	2,295	2,317
2,637	2,693	Other assets	2,680	2,636
18,507	18,212	Total Cost or Valuation	18,323	18,534
Accumulated Depreciation				
866	849	Buildings	705	729
487	476	Specialist military equipment	431	429
1,182	1,214	Other plant and equipment	1,344	1,408
-	8	Other assets	3	2
2,535	2,547	Total Accumulated Depreciation	2,483	2,568
Net Book Value				
1,830	2,273	Land	1,862	1,875
441	441	Properties intended for sale	429	450
7,883	7,394	Buildings	7,767	7,838
2,266	2,069	Specialist military equipment	2,154	2,260
915	803	Other plant and equipment	951	909
2,637	2,685	Other assets	2,677	2,634
15,972	15,665	Total Net Book Value	15,840	15,966
Movements since 30 June				
Cost or Valuation				
17,467	17,467	Opening balance	18,507	18,507
407	461	Net additions	744	1,009
633	284	Net revaluations	(928)	(982)
18,507	18,212	Total Cost or Valuation	18,323	18,534
Accumulated Depreciation				
2,209	2,209	Opening balance	2,535	2,535
(194)	(151)	Disposals	(55)	(53)
709	653	Depreciation charged for the period	678	764
(189)	(164)	Net revaluations	(675)	(678)
2,535	2,547	Total Accumulated Depreciation	2,483	2,568
15,972	15,665	Net Physical Assets	15,840	15,966

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 11: State Highways				
Cost or Valuation				
8,770	8,770	Opening balance	8,911	8,911
-	-	Recognition adjustment	-	1,650
201	146	Net additions	208	227
(60)	-	Net revaluations	-	-
8,911	8,916	Total Cost or Valuation	9,119	10,788
Accumulated Depreciation				
-	-	Opening balance	-	-
82	76	Depreciation charged for the period	84	92
(82)	-	Net revaluations	-	-
-	76	Total Accumulated Depreciation	84	92
8,911	8,840	Net State Highways	9,035	10,696
NOTE 12: Payables and Provisions				
1,714	1,658	Taxes repayable	1,775	1,711
1,243	1,740	Accounts payable	1,361	1,862
1,363	493	Accruals and provisions	867	432
433	423	National Provident Fund guarantee	480	480
105	96	National Provident Fund Board indemnity	-	-
382	325	Provision for employee entitlements	398	382
5,240	4,735	Total Payables and Provisions	4,881	4,867

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2000 \$m	Actual 31 May 2000 \$m		Actual 31 May 2001 \$m	Annual Budget Forecast 12 Months \$m
NOTE 13: Revaluation Reserve				
7,219	7,219	Opening Balance	8,201	8,201
Net Revaluations				
22	-	State highways	-	-
516	445	Land and buildings	(40)	(47)
195	2	Specialist military equipment	(258)	(258)
111	1	Other assets	45	1
		State-owned enterprises and Crown entities	(7)	11
268	71		(7)	11
1,112	519	Total Net Revaluations	(260)	(293)
		Transfers to accumulated operating balance	(10)	(9)
(130)	(46)		(10)	(9)
8,201	7,692	Closing Revaluation Reserve	7,931	7,899