

# Financial Statements of the Government of New Zealand

For the Eleven Months  
Ended 31 May 2003



11 July 2003

Prepared by The Treasury  
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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"> <li>• Crown expenses and revenues with net SOE and Crown entity results</li> <li>• 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.</li> </ul>	<p>The new current presentation will show the three institutional forms of:</p> <ul style="list-style-type: none"> <li>• <b>“core Crown”</b> (previous information on revenues and expenses less GST on Crown expenses plus inclusion of full GSF numbers)</li> <li>• <b>SOE</b> revenues, expenses, assets, liabilities</li> <li>• <b>Crown entity</b> revenues, expenses, assets, liabilities.</li> </ul> <p>The sum of these three segments (less internal transactions) is the <b>“total Crown”</b>.</p> <p>The <b>core Crown</b> 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 7 to 11 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 last months set of accounts is a box on page 5 that outlines the seasonal trend of the operating balance over the last two months of the financial year.

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 34. 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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*This section outlines the summary accounting policies underpinning the preparation of the Crown financial statements. It includes an explanation of the changes to the basis of these accounts from past presentational formats.*

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*The statement outlines the operating results of the total Crown (ie, revenues and expenses of all departments + Reserve Bank + GSF (core Crown), SOEs (including Air New Zealand) and Crown entities). Expense by sector is also shown for total Crown and core Crown.*

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*The statement outlines balance sheet results of the total Crown (ie, assets and liabilities of the core Crown, SOEs and Crown entities added together). Additional information is provided on the NZS Fund and debt indicators.*

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*The statement outlines total borrowings (split by sovereign-guaranteed and non-sovereign guaranteed and categorised as domestic and foreign) less all financial assets. The net result does not represent net (core) Crown debt. Net (core) Crown numbers are shown in the information with the Statement of Financial Position and Segment information.*

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*A new statement that outlines the operating results and balance sheet by each institutional segment (ie, core Crown, SOEs and Crown entities).*

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*The statement outlines the core Crown operating and investing flows and the amount available for debt repayment. It is reconciled to the NZDMO Government Stock programme.*

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## COMMENTARY

## OVERVIEW — ELEVEN MONTHS TO MAY 2003

**Table 1** – Summary Fiscal Indicators (new debt indicators are fully defined on page 8)

\$ million	May	May	Variance \$m	June 2003 Forecast	June 2002 Actual
	2003 Actual YTD	2003 Forecast YTD			
Operating balance	2,939	2,180	759	1,361	2,391
OBERAC	5,601	4,799	802	4,041	2,751
Net worth	21,844	21,016	828	20,197	18,832
Total Crown debt	38,014	38,067	(53)	37,886	36,747
Gross sovereign-issued debt	35,502	35,531	(29)	35,015	36,202
% of GDP	28.1	28.1	(0.0)	27.4	29.6
Net core Crown debt	17,706	17,809	(103)	17,922	17,770

The financial statements for the eleven months ended 31 May 2003 are compared against forecasts based on the 2003 Budget Economic and Fiscal Update (2003 BEFU).

The **operating balance** was \$2,939 million, which was higher-than-forecast by \$759 million. The key drivers of the forecast variance were:

- Tax revenue being higher than forecast by \$382 million. At this stage it is uncertain whether this variance will remain until year-end.
- Investment income being \$330 million higher than forecast, reflecting an appreciation in investment assets values compared to the 2003 BEFU.
- Levies, fees, fines and penalties being \$150 million higher than forecast, due to higher ACC levies received with the improvement likely to remain at year end.
- Core crown expenses being higher than forecast by \$201 million, largely due to an increase in the National Provident Fund (NPF) guarantee of \$197 million.

The **OBERAC** was \$5,601 million. The difference between the OBERAC and the operating balance of \$2,662 million is largely due to investment asset movements (\$188 million), increase in the NPF guarantee (\$197 million) and the movement in the unfunded liability valuation of the GSF (\$1,458 million) and ACC (\$819 million).

The 30 June 2003 operating balance is likely to be adversely affected by the continued reduction in discount rates since the 2003 BEFU, which are used in the valuation of the ACC and GSF unfunded liabilities. At this stage the magnitude

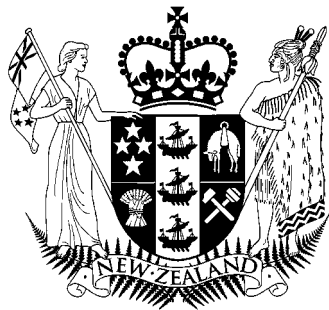
of the impact is unclear. The OBERAC will be unaffected by these changes.

**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 28.1% of GDP.

**Net (core) Crown debt** was \$103 million lower-than-forecast largely due to delays in capital projects, which are expected to remain at year-end. Net core Crown debt was 14% of GDP compared to forecast of 14.1%.

### 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 20 to 23).
- 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 8 provides more detail).



# FINANCIAL STATEMENTS

# STATEMENT OF ACCOUNTING POLICIES

as at 31 May 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](http://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 31 May 2003.

# STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 31 May 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](http://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 31 May 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"> <li>• Crown expenses and revenues with net SOE and Crown entity results</li> <li>• 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.</li> </ul>	<p>The new current presentation will show the three institutional forms of:</p> <ul style="list-style-type: none"> <li>• <b>“core Crown”</b> (previous information on revenues and expenses less GST on Crown expenses plus inclusion of full GSF numbers)</li> <li>• <b>SOE</b> revenues, expenses, assets, liabilities</li> <li>• <b>Crown entity</b> revenues, expenses, assets, liabilities.</li> </ul> <p>The sum of these three segments (less internal transactions) is the <b>“total Crown”</b>.</p> <p>The <b>core Crown</b> 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"> <li>• Core Crown revenue (Crown revenue less GST paid by Crown)</li> <li>• Total Crown revenue (core Crown + SOEs + Crown entities less internal transactions)</li> </ul>
Crown expenses	<ul style="list-style-type: none"> <li>• Core Crown expenses (Crown expenses less GST)</li> <li>• Total Crown expenses (core Crown + SOE + Crown entity expenses less internal transactions)</li> </ul>
Operating balance	<ul style="list-style-type: none"> <li>• Operating balance (little change)</li> </ul>
Gross Crown debt	<ul style="list-style-type: none"> <li>• Gross sovereign-issued debt (essentially the same as the previous gross Crown debt)<sup>4</sup></li> <li>• Core Crown gross debt (gross Crown debt less cross-holdings with NZS Fund and GSF)</li> <li>• Total Crown gross debt (core Crown gross debt + debt of SOEs and Crown entities less cross-holdings)</li> </ul>
Net Crown debt	<ul style="list-style-type: none"> <li>• Net Crown debt (same as current presentation less cross-holdings with NZS Fund and GSF)</li> </ul>
Net worth	<ul style="list-style-type: none"> <li>• Net worth (little change)</li> </ul>

<sup>4</sup> 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 31 May 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)	
<b>Revenue</b>	<b>34.6%</b>	(1.3%)	<b>33.3%</b>	<b>7.6%</b>	<b>40.9%</b>	6.3%
Tax revenue	32.1%	(1.4%)	30.7%	1.5%	32.2%	0.1%
<b>Expenses</b>	<b>33.4%</b>	(1.3%)	<b>32.1%</b>	<b>7.5%</b>	<b>39.6%</b>	6.2%
Net SOEs and Crown entities	<b>0.1%</b>	(0.1%)	N/A	N/A	N/A	(0.1%)
<b>Operating balance</b>	<b>1.2%</b>	(0.1%)	<b>1.1%</b>	<b>0.1%</b>	<b>1.2%</b>	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%
<b>Gross debt</b>	<b>32.2%</b>	(2.6%)	<b>29.6%</b>	<b>0.7%</b>	<b>30.3%</b>	(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%
<b>Net worth</b>	<b>10.0%</b>	(6.5%)	<b>3.5%</b>	<b>6.5%</b>	<b>10.0%</b>	(0.0%)
<b>Gross sovereign-issued debt</b>	<b>32.2%</b>	0.0%	<b>32.2%</b>	<b>0.0%</b>	<b>32.2%</b>	0.0%
<b>Net Crown debt</b>	<b>17.5%</b>	(2.6%)	<b>14.9%</b>	<b>N/A</b>	<b>N/A</b>	N/A
<b>Net Crown debt (+ assets of NZSF&amp;GSF)</b>	<b>17.5%</b>	(3.0%)	<b>14.4%</b>	<b>(3.5%)</b>	<b>11.0%</b>	(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 31 May 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).<sup>5</sup> 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 13 shows functional classifications of core Crown and total Crown.

<b>Functional classification</b>	<b>Allocation of material SOEs and Crown entities</b>
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

<sup>5</sup> 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 31 May 2003

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- 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 20 to 23 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 eleven months ended 31 May 2003

Prior Year 30 June 2002 \$m	Actual 31 May 2002 <sup>1</sup> \$m	Note	Current Year Actual vs Forecast				Annual Forecast	
			Actual \$m	Forecast \$m	Variance \$m	%	\$m	
<b>Revenue</b>								
<b>Levied through the Crown's Sovereign Power</b>								
36,215	-	Taxation revenue	1	36,761	36,379	382	1.1	39,390
2,526	-	Levies, fees, fines and penalties	1	2,475	2,325	150	6.5	2,618
<b>38,741</b>	-	<b>Total Revenue Levied through the Crown's Sovereign Power</b>	<b>1</b>	<b>39,236</b>	<b>38,704</b>	<b>532</b>	<b>1.4</b>	<b>42,008</b>
<b>Earned through the Crown's Operations</b>								
10,526	-	Sales of goods and services	2	11,044	10,144	900	8.9	11,045
949	-	Investment income	3	1,260	930	330	35.5	1,157
1,009	-	Other revenue	4	1,519	1,519	-	-	1,637
<b>12,484</b>	-	<b>Total Revenue Earned through the Crown's Operations</b>		<b>13,823</b>	<b>12,593</b>	<b>1,230</b>	<b>9.8</b>	<b>13,839</b>
<b>51,225</b>	-	<b>Total Crown Revenue</b>		<b>53,059</b>	<b>51,297</b>	<b>1,762</b>	<b>3.4</b>	<b>55,847</b>
<b>Expenses</b>								
<b>By input type</b>								
14,820	-	Subsidies and transfer payments	5	13,791	13,801	10	0.1	15,282
12,116	-	Personnel expenses	6	12,033	12,033	-	-	13,245
19,222	-	Operating expenses	7	19,837	18,770	(1,067)	(5.7)	21,114
-	-	Forecast for future new spending		-	-	-	-	-
2,230	-	Finance costs		2,101	2,101	-	-	2,355
(145)	-	Net foreign-exchange losses/(gains)		24	78	54	69.2	78
231	-	Movement in total GSF liability	14	1,234	1,234	-	-	1,212
360	-	Movement in total ACC liability	15	1,100	1,100	-	-	1,200
<b>48,834</b>	-	<b>Total Crown Expenses</b>		<b>50,120</b>	<b>49,117</b>	<b>(1,003)</b>	<b>(2.0)</b>	<b>54,486</b>
-	-	Minority interest		-	-	-	-	-
<b>2,391</b>	<b>2,901</b>	<b>Operating Balance</b>		<b>2,939</b>	<b>2,180</b>	<b>759</b>	<b>34.8</b>	<b>1,361</b>

<sup>1</sup> 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 eleven months ended 31 May 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 31 May 2002 \$m	Note	Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
<b>Total Crown expenses</b>							
<b>By functional classification</b>							
15,261	-		15,175	15,185	10	0.1	16,656
1,409	-		2,125	2,125	-	-	2,190
7,556	-		7,158	7,198	40	0.6	8,059
8,095	-		8,281	8,241	(40)	(0.5)	9,132
1,428	-		1,502	1,305	(197)	(15.1)	1,509
1,911	-		1,737	1,737	-	-	1,932
1,125	-		1,000	1,010	10	1.0	1,148
3,910	-		4,809	4,809	-	-	5,479
3,115	-		3,504	2,604	(900)	(34.6)	2,784
957	-		921	931	10	1.1	1,067
1,402	-		1,235	1,245	10	0.8	1,488
470	-		486	486	-	-	541
110	-		62	62	-	-	68
2,230	-		2,101	2,101	-	-	2,355
(145)	-		24	78	54	69.2	78
-	-		-	-	-	-	-
<b>48,834</b>	<b>-</b>		<b>50,120</b>	<b>49,117</b>	<b>(1,003)</b>	<b>(2.0)</b>	<b>54,486</b>
<b>Core Crown expenses</b>							
<b>By functional classification</b>							
13,485	-		12,612	12,622	10	0.1	13,954
1,409	-		2,125	2,125	-	-	2,190
7,032	-		6,834	6,874	40	0.6	7,586
6,473	-		6,459	6,419	(40)	(0.6)	7,152
1,540	-		1,613	1,416	(197)	(13.9)	1,650
1,733	-		1,568	1,568	-	-	1,760
1,162	-		1,040	1,050	10	1.0	1,190
989	-		1,182	1,182	-	-	1,404
1,013	-		953	953	-	-	1,106
304	-		303	313	10	3.2	364
434	-		424	434	10	2.3	530
93	-		84	84	-	-	109
110	-		62	62	-	-	68
2,118	-		1,969	1,969	-	-	2,133
75	-		82	38	(44)	(115.8)	38
-	-		-	-	-	-	-
<b>37,970</b>	<b>-</b>		<b>37,310</b>	<b>37,109</b>	<b>(201)</b>	<b>(0.5)</b>	<b>41,234</b>

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

# STATEMENT OF CASH FLOWS

for the eleven months ended 31 May 2003

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
<b>Cash Flows From Operations</b>						
<b>Cash was provided from</b>						
36,480	-	36,372	36,424	(52)	(0.1)	39,502
2,117	-	2,279	2,279	-	-	2,468
932	-	1,149	1,149	-	-	1,230
39	-	35	35	-	-	41
10,406	-	10,882	9,982	900	9.0	10,905
1,433	-	1,152	1,152	-	-	1,750
<b>51,407</b>	<b>-</b>	<b>51,869</b>	<b>51,021</b>	<b>848</b>	<b>1.7</b>	<b>55,896</b>
<b>Cash was disbursed to</b>						
14,990	-	14,114	14,114	-	-	15,910
27,972	-	28,832	27,972	(860)	(3.1)	30,772
2,700	-	2,048	2,048	-	-	2,296
-	-	-	-	-	-	-
<b>45,662</b>	<b>-</b>	<b>44,994</b>	<b>44,134</b>	<b>(860)</b>	<b>(1.9)</b>	<b>48,978</b>
<b>5,745</b>	<b>-</b>	<b>6,875</b>	<b>6,887</b>	<b>(12)</b>	<b>(0.2)</b>	<b>6,918</b>
<b>Cash Flows From Investing Activities</b>						
<b>Cash was provided from</b>						
291	-	133	133	-	-	158
<b>291</b>	<b>-</b>	<b>133</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>158</b>
<b>Cash was disbursed to</b>						
2,976	-	2,907	3,007	100	3.3	4,188
330	-	802	802	-	-	983
1,223	-	-	-	-	-	-
466	-	3,716	3,609	107	3.0	4,135
-	-	-	-	-	-	-
<b>4,995</b>	<b>-</b>	<b>7,425</b>	<b>7,418</b>	<b>(7)</b>	<b>(0.1)</b>	<b>9,306</b>
<b>(4,704)</b>	<b>-</b>	<b>(7,292)</b>	<b>(7,285)</b>	<b>(7)</b>	<b>(0.1)</b>	<b>(9,148)</b>
<b>1,041</b>	<b>-</b>	<b>(417)</b>	<b>(398)</b>	<b>(19)</b>	<b>(4.8)</b>	<b>(2,230)</b>
<b>Cash Flows From Financing Activities</b>						
<b>Cash was Provided From</b>						
196	-	195	228	(33)	(14.5)	228
820	-	(1,253)	(1,253)	-	-	729
<b>1,016</b>	<b>-</b>	<b>(1,058)</b>	<b>(1,025)</b>	<b>(33)</b>	<b>(3.2)</b>	<b>957</b>
<b>Cash was Disbursed to</b>						
386	-	(1,037)	(1,037)	-	-	(400)
1,054	-	(535)	(535)	-	-	(911)
<b>1,440</b>	<b>-</b>	<b>(1,572)</b>	<b>(1,572)</b>	<b>-</b>	<b>-</b>	<b>(1,311)</b>
<b>(424)</b>	<b>-</b>	<b>514</b>	<b>547</b>	<b>(33)</b>	<b>(6.0)</b>	<b>2,268</b>
<b>617</b>	<b>-</b>	<b>97</b>	<b>149</b>	<b>(52)</b>	<b>(34.9)</b>	<b>38</b>
2,173	-	2,771	2,771	-	-	2,771
(19)	-	(2)	(2)	-	-	11
<b>2,771</b>	<b>-</b>	<b>2,866</b>	<b>2,918</b>	<b>(52)</b>	<b>(1.8)</b>	<b>2,820</b>

<sup>1</sup> Net sale/(purchase) of marketable securities and deposits includes the purchases made in anticipation of the New Zealand Superannuation Fund contributions of \$1,108 million.

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

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the eleven months ended 31 May 2003

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
5,745	-	<b>Net Cash Flows from Operations</b>	<b>6,875</b>	<b>6,887</b>	<b>(12)</b>	<b>(0)</b>	<b>6,918</b>
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		<b>Valuation changes</b>					
(231)	-	(Increase)/decrease in pension liabilities	(1,234)	(1,234)	-	-	(1,212)
(360)	-	(Increase)/decrease in ACC liabilities	(1,100)	(1,100)	-	-	(1,200)
1	-	National Provident Fund guarantee	(197)	-	(197)	-	-
24	-	Revaluation of commercial forests	-	-	-	-	-
(162)	-	Unrealised net foreign-exchange (losses)/gains	(186)	(427)	241	56	(427)
-	-	Other valuation changes	-	-	-	-	-
<b>(728)</b>	-	<b>Total valuation changes</b>	<b>(2,717)</b>	<b>(2,761)</b>	<b>44</b>	<b>1.6</b>	<b>(2,839)</b>
		<b>Property, plant &amp; equipment asset movements</b>					
(2,090)	-	Depreciation	(2,148)	(2,148)	-	-	(2,394)
(28)	-	(Loss)/gain on sale of physical assets	(35)	(35)	-	-	(34)
<b>(2,118)</b>	-	<b>Total property, plant &amp; equipment movements</b>	<b>(2,183)</b>	<b>(2,183)</b>	-	-	<b>(2,428)</b>
		<b>Other Non-cash Items</b>					
(86)	-	Student loans	(177)	(177)	-	-	(136)
(23)	-	Amortisation of goodwill	(43)	(43)	-	-	(47)
15	-	Accrued income on NZS Fund	-	-	-	-	69
-	-	Other	1	1	-	-	-
<b>(94)</b>	-	<b>Total Other Non-cash Items</b>	<b>(219)</b>	<b>(219)</b>	-	-	<b>(114)</b>
<b>(248)</b>	-	<b>Total other investing and financing items</b>	<b>15</b>	<b>15</b>	-	-	<b>-</b>
		<b>Movements in Working Capital</b>					
(272)	-	Increase/(decrease) in taxes receivable	945	511	434	84.9	(194)
288	-	Increase/(decrease) in other receivables	1,605	1,605	-	-	534
253	-	(Decrease)/increase in inventories	(6)	(6)	-	-	(29)
(435)	-	(Increase)/decrease in payables	(1,376)	(1,669)	293	17.6	(487)
<b>(166)</b>	-	<b>Total movements in working capital</b>	<b>1,168</b>	<b>441</b>	<b>727</b>	<b>164.9</b>	<b>(176)</b>
<b>2,391</b>	<b>2,901</b>	<b>Operating Balance</b>	<b>2,939</b>	<b>2,180</b>	<b>759</b>	<b>34.8</b>	<b>1,361</b>

## STATEMENT OF MOVEMENTS IN EQUITY

for the eleven months ended 31 May 2003

12,040	11,463	<b>Opening Crown Balance</b>	<b>18,726</b>	<b>18,726</b>	-	-	<b>18,726</b>
214	-	Asset and liability recognition policy changes	-	-	-	-	-
<b>12,254</b>	<b>11,463</b>	<b>Adjusted Operating Crown Balance</b>	<b>18,726</b>	<b>18,726</b>	-	-	<b>18,726</b>
2,391	2,901	Operating balance for the period	2,939	2,180	759	34.8	1,361
4,187	47	Net revaluations	179	110	69	62.7	110
<b>6,578</b>	<b>2,948</b>	<b>Total Recognised Revenues and Expenses</b>	<b>3,118</b>	<b>2,290</b>	<b>828</b>	<b>36.2</b>	<b>1,471</b>
<b>18,832</b>	<b>14,411</b>	<b>Closing Crown Balance</b>	<b>21,844</b>	<b>21,016</b>	<b>828</b>	<b>3.9</b>	<b>20,197</b>

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



# STATEMENT OF FINANCIAL POSITION

as at 31 May 2003

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Note	Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
<b>Assets</b>							
2,771	-	8	2,866	2,918	(52)	(1.8)	2,820
16,953	-	8	20,660	20,072	588	2.9	19,762
5,247	-	9	5,699	5,699	-	-	5,789
8,216	-	10	10,766	10,332	434	4.2	8,556
924	-		918	918	-	-	895
286	-	11	276	276	-	-	304
52,931	-	12	53,606	53,658	(52)	(0.1)	54,598
332	-		331	331	-	-	308
754	-		1,274	1,274	-	-	709
-	-		-	-	-	-	-
<b>88,414</b>	-		<b>96,396</b>	<b>95,478</b>	<b>918</b>	<b>1.0</b>	<b>93,741</b>
<b>Liabilities</b>							
10,389	-	13	11,563	11,387	(176)	(1.5)	10,572
2,735	-		2,930	2,963	33	1.1	2,963
29,851	-		30,442	30,471	29	0.1	30,041
6,896	-		7,572	7,596	24	0.3	7,845
12,210	-	14	13,444	13,444	-	-	13,422
7,501	-	15	8,601	8,601	-	-	8,701
<b>69,582</b>	-		<b>74,552</b>	<b>74,462</b>	<b>(90)</b>	<b>(0.1)</b>	<b>73,544</b>
<b>18,832</b>	<b>14,411</b>		<b>21,844</b>	<b>21,016</b>	<b>828</b>	<b>3.9</b>	<b>20,197</b>
<b>Crown Balance</b>							
6,054	-		9,010	8,230	(780)	(9.5)	7,411
12,672	-	16	12,834	12,786	(48)	(0.4)	12,786
106	-		-	-	-	-	-
<b>18,832</b>	<b>14,411</b>		<b>21,844</b>	<b>21,016</b>	<b>828</b>	<b>3.9</b>	<b>20,197</b>

<sup>1</sup> Contributions to the New Zealand Superannuation Fund to 31 May 2003 are included as marketable securities and deposits. As at 31 May 2003 the New Zealand Debt Management Office held \$1,784 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 31 May 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 31 May 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	554	Gross contribution	1,108	1,108	-	-	1,200
15	12	Growth in contributions	61	61	-	-	69
<b>615</b>	<b>566</b>	<b>NZS Fund balance</b>	<b>1,784</b>	<b>1,784</b>	<b>-</b>	<b>-</b>	<b>1,884</b>

## Gross and Net Debt information

### Definitions of debt:

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

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

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

<b>Total Crown Debt</b>							
<b>36,747</b>	-	<b>Total Crown gross debt</b>	<b>38,014</b>	<b>38,067</b>	<b>(53)</b>	<b>(0.1)</b>	<b>37,886</b>
<b>36,202</b>	-	<b>Total gross sovereign-issued debt</b>	<b>35,502</b>	<b>35,531</b>	<b>(29)</b>	<b>(0.1)</b>	<b>35,015</b>
<b>Core Crown Debt</b>							
34,722	-	Gross Crown debt	35,050	35,079	(29)	(0.1)	34,717
(19,521)	-	Financial assets	(21,885)	(21,811)	(74)	(0.3)	(21,368)
<b>15,201</b>	-	<b>Borrowings less financial assets</b>	<b>13,165</b>	<b>13,268</b>	<b>(103)</b>	<b>(0.8)</b>	<b>13,349</b>
		NZS Fund and GSF					
4,049	-	financial assets	4,993	4,993	-	-	4,871
(1,480)	-	Cross-holdings of NZ Govt Stock	(452)	(452)	-	-	(298)
<b>17,770</b>	-	<b>Net Crown Debt</b>	<b>17,706</b>	<b>17,809</b>	<b>(103)</b>	<b>(0.6)</b>	<b>17,922</b>

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

# STATEMENT OF BORROWINGS

as at 31 May 2003

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance		\$m
				\$m	%	
<b>Sovereign-Guaranteed Debt</b>						
<b>New Zealand-Dollar Debt</b>						
18,047	-	18,505	18,505	-	-	18,796
5,183	-	5,713	5,713	-	-	5,183
(401)	-	(1,100)	(1,100)	-	-	(795)
669	-	814	814	-	-	774
<b>23,498</b>	-	<b>23,932</b>	<b>23,932</b>	-	-	<b>23,958</b>
<b>Foreign-Currency Debt</b>						
3,842	-	3,874	3,903	29	0.7	3,697
447	-	103	103	-	-	106
2,064	-	2,533	2,533	-	-	2,280
<b>6,353</b>	-	<b>6,510</b>	<b>6,539</b>	<b>29</b>	<b>0.4</b>	<b>6,083</b>
<b>29,851</b>	-	<b>30,442</b>	<b>30,471</b>	<b>29</b>	<b>0.1</b>	<b>30,041</b>
<b>Non-Sovereign-Guaranteed Debt</b>						
5,349	-	6,383	6,383	-	-	6,672
1,424	-	1,066	1,090	24	2.2	1,050
-	-	-	-	-	-	-
123	-	123	123	-	-	123
<b>6,896</b>	-	<b>7,572</b>	<b>7,596</b>	<b>24</b>	<b>0.3</b>	<b>7,845</b>
<b>36,747</b>	-	<b>38,014</b>	<b>38,067</b>	<b>53</b>	<b>0.1</b>	<b>37,886</b>
<b>Less</b>						
<b>Financial Assets (including restricted assets)</b>						
<b>Marketable Securities, Deposits and Equity Investments</b>						
7,893	-	8,514	7,927	587	7.4	8,256
4,557	-	5,260	5,259	1	-	5,294
345	-	142	142	-	-	143
1,162	-	1,615	1,615	-	-	717
1,016	-	949	949	-	-	966
753	-	897	897	-	-	1,261
1,227	-	3,283	3,283	-	-	3,125
<b>16,953</b>	-	<b>20,660</b>	<b>20,072</b>	<b>588</b>	<b>2.9</b>	<b>19,762</b>
<b>Advances and Cash</b>						
4,749	-	5,250	5,250	-	-	5,322
498	-	449	449	-	-	467
2,771	-	2,866	2,918	(52)	(1.8)	2,820
<b>8,018</b>	-	<b>8,565</b>	<b>8,617</b>	<b>(52)</b>	<b>(0.6)</b>	<b>8,609</b>
<b>24,971</b>	-	<b>29,225</b>	<b>28,689</b>	<b>536</b>	<b>1.9</b>	<b>28,371</b>
<b>11,776</b>	-	<b>8,789</b>	<b>9,378</b>	<b>589</b>	<b>6.3</b>	<b>9,515</b>
12,220	-	12,398	12,933	535	4.1	12,504
(444)	-	(3,609)	(3,555)	54	1.5	(2,989)
<b>11,776</b>	-	<b>8,789</b>	<b>9,378</b>	<b>589</b>	<b>6.3</b>	<b>9,515</b>

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

## STATEMENT OF COMMITMENTS

as at 31 May 2003

	As at 31 May 2003 \$m	As at 30 June 2002 \$m	As at 31 May 2002 \$m
<b>Capital Commitments</b>			
Specialist military equipment	359	525	538
Land and buildings	1,281	1,154	411
Other property, plant and equipment	788	312	22
Investments	33	12	238
SOEs and Crown entities	-	-	848
<b>Total Capital Commitments</b>	<b>2,461</b>	<b>2,003</b>	<b>2,057</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	1,390	1,466	808
Other non-cancellable leases	2,775	2,995	1,717
Non-cancellable contracts for the supply of goods and services	1,649	1,998	2,625
Other operating commitments	1,735	2,193	791
SOEs and Crown entities	-	-	3,266
<b>Total Operating Commitments</b>	<b>7,549</b>	<b>8,652</b>	<b>9,207</b>
<b>Total Commitments</b>	<b>10,010</b>	<b>10,655</b>	<b>11,264</b>
<b>Total Commitments by Institutional Segment</b>			
Core Crown	5,392	5,949	7,150
Crown entities	2,319	2,897	2,111
State-owned enterprises	2,299	1,809	2,003
<b>Total Commitments</b>	<b>10,010</b>	<b>10,655</b>	<b>11,264</b>

## STATEMENT OF CONTINGENT LIABILITIES

as at 31 May 2003

	As at 31 May 2003 \$m	As at 30 June 2002 \$m	As at 31 May 2002 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and Indemnities	454	121	385
Uncalled Capital	2,593	3,068	3,044
Legal Proceedings and Disputes	292	342	334
Other Contingent Liabilities	1,499	1,672	1,777
<b>Total Quantifiable Contingent Liabilities</b>	<b>4,838</b>	<b>5,203</b>	<b>5,540</b>
<b>Total Quantifiable Contingent Liabilities by Institutional Segment</b>			
Core Crown	4,637	4,979	5,297
Crown entities	10	24	43
State-owned enterprises	191	200	200
<b>Total Quantifiable Contingent Liabilities</b>	<b>4,838</b>	<b>5,203</b>	<b>5,540</b>

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 Eleven months ended 31 May 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
<b>Revenue</b>				
Taxation revenue	37,079	36,691	-	-
Other sovereign levied income	471	471	2,028	1,878
Sales of goods and services	677	677	2,565	2,565
Investment income	1,097	930	611	373
Other revenues	468	468	12,743	12,743
<b>Total revenue</b>	<b>39,792</b>	<b>39,237</b>	<b>17,947</b>	<b>17,559</b>
<b>Expenses by input type</b>				
Subsidies and transfer payments	12,547	12,557	1,244	1,244
Personnel expenses	3,700	3,700	6,924	6,924
Operating expenses	17,778	17,611	8,607	8,607
Finance costs	1,969	1,969	185	185
FX losses/(gains)	82	38	21	95
GSF and ACC liability revaluation movts	1,234	1,234	1,100	1,100
<b>Total expenses</b>	<b>37,310</b>	<b>37,109</b>	<b>18,081</b>	<b>18,155</b>
<b>Expenses by functional classification</b>				
Social security and welfare	12,612	12,622	2,935	2,935
Health	6,834	6,874	5,284	5,284
Education	6,459	6,419	6,252	6,252
Other functional classifications	9,354	9,187	3,404	3,404
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	2,051	2,007	206	280
<b>Total expenses</b>	<b>37,310</b>	<b>37,109</b>	<b>18,081</b>	<b>18,155</b>
<b>Operating balance</b>	<b>2,482</b>	<b>2,128</b>	<b>(134)</b>	<b>(596)</b>

### Statement of Financial Position (institutional form)

as at 31 May 2003 (actual to forecast)

(\$ million)	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2003 \$m	Actual 2003 \$m	Forecast 2003 \$m
	<b>Assets</b>			
Financial assets	21,885	21,811	11,085	10,623
Physical assets	17,217	17,289	26,116	26,125
Investment in SOEs and CEs	21,910	21,910	-	-
Other assets	9,319	8,885	2,005	2,005
<b>Total assets</b>	<b>70,331</b>	<b>69,895</b>	<b>39,206</b>	<b>38,753</b>
<b>Liabilities</b>				
Borrowings	35,050	35,079	3,453	3,453
Other liabilities	22,607	22,464	12,031	12,031
<b>Total liabilities</b>	<b>57,657</b>	<b>57,543</b>	<b>15,484</b>	<b>15,484</b>
<b>Net worth</b>	<b>12,674</b>	<b>12,352</b>	<b>23,722</b>	<b>23,269</b>
Taxpayer funds	9,124	8,830	15,756	15,294
Revaluation reserves	3,550	3,522	7,966	7,975
<b>Net worth</b>	<b>12,674</b>	<b>12,352</b>	<b>23,722</b>	<b>23,269</b>
<b>Analysis of financial assets and borrowings</b>				
Advances and cash	6,596	6,481	1,964	1,726
MSDs and equity investments	15,289	15,330	9,121	8,897
<b>Total financial assets</b>	<b>21,885</b>	<b>21,811</b>	<b>11,085</b>	<b>10,623</b>
Borrowings - Sovereign guaranteed	35,050	35,079	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,453	3,453
<b>Total borrowings</b>	<b>35,050</b>	<b>35,079</b>	<b>3,453</b>	<b>3,453</b>
<b>Borrowings less financial assets</b>	<b>13,165</b>	<b>13,268</b>	<b>(7,632)</b>	<b>(7,170)</b>
<b>Net Crown debt</b>	<b>17,706</b>	<b>17,809</b>		
<b>Gross sovereign-issued debt</b>	<b>35,502</b>	<b>35,531</b>		

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

# STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

## Statement of Financial Performance (institutional form)

for the Eleven months ended 31 May 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
<b>Revenue</b>						
Taxation revenue	-	-	(318)	(312)	36,761	36,379
Other sovereign levied income	-	-	(24)	(24)	2,475	2,325
Sales of goods and services	8,146	7,346	(344)	(444)	11,044	10,144
Investment income	39	39	(487)	(412)	1,260	930
Other revenues	530	530	(12,222)	(12,222)	1,519	1,519
<b>Total revenue</b>	<b>8,715</b>	<b>7,915</b>	<b>(13,395)</b>	<b>(13,414)</b>	<b>53,059</b>	<b>51,297</b>
<b>Expenses by input type</b>						
Subsidies and transfer payments	-	-	-	-	13,791	13,801
Personnel expenses	1,412	1,412	(3)	(3)	12,033	12,033
Operating expenses	6,360	5,560	(12,908)	(13,008)	19,837	18,770
Finance costs	230	230	(283)	(283)	2,101	2,101
FX losses/(gains)	(79)	(55)	-	-	24	78
GSF and ACC liability revaluation movts	-	-	-	-	2,334	2,334
<b>Total expenses</b>	<b>7,923</b>	<b>7,147</b>	<b>(13,194)</b>	<b>(13,294)</b>	<b>50,120</b>	<b>49,117</b>
<b>Expenses by functional classification</b>						
Social security and welfare	-	-	(372)	(372)	15,175	15,185
Health	-	-	(4,960)	(4,960)	7,158	7,198
Education	-	-	(4,430)	(4,430)	8,281	8,241
Other functional classifications	7,772	6,972	(3,149)	(3,249)	17,381	16,314
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	151	175	(283)	(283)	2,125	2,179
<b>Total expenses</b>	<b>7,923</b>	<b>7,147</b>	<b>(13,194)</b>	<b>(13,294)</b>	<b>50,120</b>	<b>49,117</b>
<b>Operating balance</b>	<b>792</b>	<b>768</b>	<b>(201)</b>	<b>(120)</b>	<b>2,939</b>	<b>2,180</b>

## Statement of Financial Position (institutional form)

as at 31 May 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
<b>Assets</b>						
Financial assets	1,855	1,860	(5,600)	(5,605)	29,225	28,689
Physical assets	10,273	10,244	-	-	53,606	53,658
Investment in SOEs and CEs	-	-	(21,910)	(21,910)	-	-
Other assets	2,879	2,873	(638)	(632)	13,565	13,131
<b>Total assets</b>	<b>15,007</b>	<b>14,977</b>	<b>(28,148)</b>	<b>(28,147)</b>	<b>96,396</b>	<b>95,478</b>
<b>Liabilities</b>						
Borrowings	5,111	5,140	(5,600)	(5,605)	38,014	38,067
Other liabilities	2,935	2,935	(1,035)	(1,035)	36,538	36,395
<b>Total liabilities</b>	<b>8,046</b>	<b>8,075</b>	<b>(6,635)</b>	<b>(6,640)</b>	<b>74,552</b>	<b>74,462</b>
<b>Net worth</b>	<b>6,961</b>	<b>6,902</b>	<b>(21,513)</b>	<b>(21,507)</b>	<b>21,844</b>	<b>21,016</b>
Taxpayer funds	5,643	5,613	(21,513)	(21,507)	9,010	8,230
Revaluation reserves	1,318	1,289	-	-	12,834	12,786
<b>Net worth</b>	<b>6,961</b>	<b>6,902</b>	<b>(21,513)</b>	<b>(21,507)</b>	<b>21,844</b>	<b>21,016</b>
<b>Analysis of financial assets and borrowings</b>						
Advances and cash	982	987	(977)	(577)	8,565	8,617
MSDs and equity investments	873	873	(4,623)	(5,028)	20,660	20,072
<b>Total financial assets</b>	<b>1,855</b>	<b>1,860</b>	<b>(5,600)</b>	<b>(5,605)</b>	<b>29,225</b>	<b>28,689</b>
Borrowings - Sovereign guaranteed	-	-	(4,608)	(4,608)	30,442	30,471
Borrowings - Non-sovereign guaranteed	5,111	5,140	(992)	(997)	7,572	7,596
<b>Total borrowings</b>	<b>5,111</b>	<b>5,140</b>	<b>(5,600)</b>	<b>(5,605)</b>	<b>38,014</b>	<b>38,067</b>
<b>Borrowings less financial assets</b>	<b>3,256</b>	<b>3,280</b>	<b>-</b>	<b>-</b>	<b>8,789</b>	<b>9,378</b>

# 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
<b>Revenue</b>				
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
<b>Total revenue</b>	<b>39,911</b>	<b>42,612</b>	<b>18,000</b>	<b>19,346</b>
<b>Expenses by input type</b>				
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
<b>Total expenses</b>	<b>37,970</b>	<b>41,234</b>	<b>17,662</b>	<b>19,877</b>
<b>Expenses by functional classification</b>				
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
<b>Total expenses</b>	<b>37,970</b>	<b>41,234</b>	<b>17,662</b>	<b>19,877</b>
<b>Operating balance</b>	<b>1,941</b>	<b>1,378</b>	<b>338</b>	<b>(531)</b>

## 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
	<b>Assets</b>			
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
<b>Total assets</b>	<b>68,549</b>	<b>68,311</b>	<b>25,833</b>	<b>38,871</b>
<b>Liabilities</b>				
Borrowings	34,722	34,717	3,326	3,302
Other liabilities	21,207	22,065	11,006	12,139
<b>Total liabilities</b>	<b>55,929</b>	<b>56,782</b>	<b>14,332</b>	<b>15,441</b>
<b>Net worth</b>	<b>12,620</b>	<b>11,529</b>	<b>11,501</b>	<b>23,430</b>
Taxpayer Funds	6,636	8,007	6,085	15,455
Revaluation reserves	5,984	3,522	5,416	7,975
Minority interest	-	-	-	-
<b>Net worth</b>	<b>12,620</b>	<b>11,529</b>	<b>11,501</b>	<b>23,430</b>
<b>Analysis of financial assets and borrowings</b>				
Advances and cash	6,218	6,586	1,822	2,048
MSDs and equity investments	13,302	14,782	8,123	8,786
<b>Total financial assets</b>	<b>19,520</b>	<b>21,368</b>	<b>9,945</b>	<b>10,834</b>
Borrowings - Sovereign guaranteed	34,722	34,717	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,326	3,302
<b>Total borrowings</b>	<b>34,722</b>	<b>34,717</b>	<b>3,326</b>	<b>3,302</b>
<b>Borrowings less financial assets</b>	<b>15,202</b>	<b>13,349</b>	<b>(6,619)</b>	<b>(7,532)</b>
<b>Net Crown debt</b>	<b>17,770</b>	<b>17,922</b>		
<b>Gross sovereign-issued borrowings</b>	<b>36,202</b>	<b>35,015</b>		

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

# 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
<b>Revenue</b>						
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
<b>Total revenue</b>	<b>7,162</b>	<b>8,522</b>	<b>(13,848)</b>	<b>(14,633)</b>	<b>51,225</b>	<b>55,847</b>
<b>Expenses by input type</b>						
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
<b>Total expenses</b>	<b>6,649</b>	<b>7,802</b>	<b>(13,447)</b>	<b>(14,427)</b>	<b>48,834</b>	<b>54,486</b>
<b>Expenses by functional classification</b>						
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
<b>Total expenses</b>	<b>6,649</b>	<b>7,802</b>	<b>(13,447)</b>	<b>(14,427)</b>	<b>48,834</b>	<b>54,486</b>
<b>Operating balance</b>	<b>513</b>	<b>720</b>	<b>(401)</b>	<b>(206)</b>	<b>2,391</b>	<b>1,361</b>

## 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
	<b>Assets</b>					
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
<b>Total assets</b>	<b>13,326</b>	<b>15,036</b>	<b>(19,294)</b>	<b>(28,477)</b>	<b>88,414</b>	<b>93,741</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>6,904</b>	<b>8,190</b>	<b>(7,583)</b>	<b>(6,869)</b>	<b>69,582</b>	<b>73,544</b>
<b>Net worth</b>	<b>6,422</b>	<b>6,846</b>	<b>(11,711)</b>	<b>(21,608)</b>	<b>18,832</b>	<b>20,197</b>
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	-
<b>Net worth</b>	<b>6,422</b>	<b>6,846</b>	<b>(11,711)</b>	<b>(21,608)</b>	<b>18,832</b>	<b>20,197</b>
<b>Analysis of financial assets and borrowings</b>						
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
<b>Total financial assets</b>	<b>1,189</b>	<b>1,899</b>	<b>(5,683)</b>	<b>(5,730)</b>	<b>24,971</b>	<b>28,371</b>
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
<b>Total borrowings</b>	<b>4,382</b>	<b>5,597</b>	<b>(5,683)</b>	<b>(5,730)</b>	<b>36,747</b>	<b>37,886</b>
<b>Borrowings less financial assets</b>	<b>3,193</b>	<b>3,698</b>	<b>-</b>	<b>-</b>	<b>11,776</b>	<b>9,515</b>



# NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>NOTE 1: Revenue Collected Through the Crown's Sovereign Power</b>			
<b>Income Tax Revenue (accrual)</b>			
<b>Individuals</b>			
14,600	- Source deductions	14,736	15,739
4,019	- Other persons	3,937	4,258
(836)	- Refunds	(727)	(834)
361	- Fringe benefit tax	347	371
<b>18,144</b>	<b>- Total Individuals</b>	<b>18,293</b>	<b>19,534</b>
<b>Corporate Tax</b>			
4,517	- Gross companies tax	4,741	4,981
(224)	- Refunds	(155)	(130)
664	- Non-resident withholding tax	649	728
141	- Foreign-source dividend w/holding payments	156	126
<b>5,098</b>	<b>- Total Corporate Tax</b>	<b>5,391</b>	<b>5,705</b>
<b>Other Income Tax</b>			
1,000	- Resident w/holding tax on interest income	988	1,073
20	- Resident w/holding tax on dividend income	54	56
1	- Estate and gift duties	1	1
<b>1,021</b>	<b>- Total Other Income Tax</b>	<b>1,043</b>	<b>1,130</b>
<b>24,263</b>	<b>- Total Income Tax</b>	<b>24,727</b>	<b>26,369</b>
<b>Goods and Services Tax</b>			
14,638	- Gross goods and services tax	13,645	14,891
(6,642)	- Refunds	(5,560)	(6,123)
<b>7,996</b>	<b>- Total Goods and Services Tax</b>	<b>8,085</b>	<b>8,768</b>
<b>Other Taxation</b>			
874	- Petroleum fuels excise	911	964
815	- Tobacco excise	810	860
666	- Customs duty	682	749
580	- Road user charges	572	621
452	- Alcohol excise	435	470
210	- Gaming duties	225	248
188	- Motor vehicle fees	180	192
111	- Energy resources levies	87	99
60	- Approved issuer levy and cheque duty	47	50
<b>3,956</b>	<b>- Total Other Indirect Taxation</b>	<b>3,949</b>	<b>4,253</b>
<b>11,952</b>	<b>- Total Indirect Taxation</b>	<b>12,034</b>	<b>13,021</b>
<b>36,215</b>	<b>- Total Tax Revenue Collected</b>	<b>36,761</b>	<b>39,390</b>
<b>Other Sovereign Revenues (accrual)</b>			
1,627	- ACC levies	1,645	1,687
205	- Fire Service levies	194	222
75	- EQC levies	70	77
619	- Other miscellaneous items	566	632
<b>2,526</b>	<b>- Total Other Sovereign Revenues</b>	<b>2,475</b>	<b>2,618</b>
<b>38,741</b>	<b>- Total Sovereign Revenue</b>	<b>39,236</b>	<b>42,008</b>

# NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>NOTE 1: Receipts Collected Through the Crown's Sovereign Power</b>			
<b>Income Tax Receipts (cash)</b>			
<b>Individuals</b>			
14,631	-	14,411	15,646
4,500	-	4,286	4,664
(1,243)	-	(1,132)	(1,240)
356	-	328	371
<b>18,244</b>	<b>-</b>	<b>17,893</b>	<b>19,441</b>
<b>Corporate Tax</b>			
5,221	-	5,577	5,798
(760)	-	(711)	(665)
626	-	689	717
144	-	137	126
<b>5,231</b>	<b>-</b>	<b>5,692</b>	<b>5,976</b>
<b>Other Income Tax</b>			
989	-	1,021	1,073
20	-	53	56
2	-	1	1
<b>1,011</b>	<b>-</b>	<b>1,075</b>	<b>1,130</b>
<b>24,486</b>	<b>-</b>	<b>24,660</b>	<b>26,547</b>
<b>Goods and Services Tax</b>			
14,287	-	13,163	14,541
(6,194)	-	(5,324)	(5,823)
<b>8,093</b>	<b>-</b>	<b>7,839</b>	<b>8,718</b>
<b>Other Taxation</b>			
847	-	892	959
797	-	800	860
655	-	657	749
579	-	572	620
454	-	420	460
214	-	206	248
184	-	190	190
112	-	90	100
59	-	46	51
<b>3,901</b>	<b>-</b>	<b>3,873</b>	<b>4,237</b>
<b>11,994</b>	<b>-</b>	<b>11,712</b>	<b>12,955</b>
<b>36,480</b>	<b>-</b>	<b>36,372</b>	<b>39,502</b>
<b>Other Sovereign Receipts (cash)</b>			
1,342	-	1,545	1,678
221	-	208	226
76	-	71	78
478	-	455	486
<b>2,117</b>	<b>-</b>	<b>2,279</b>	<b>2,468</b>
<b>38,597</b>	<b>-</b>	<b>38,651</b>	<b>41,970</b>

## NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 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

<b>Investment Income</b>			
752	- Interest income	758	934
335	- Student loans	357	399
48	- Dividends	36	45
(192)	Gains/(losses) on marketable securities		
	- deposits and equity investments	109	(221)
6	- Other	-	-
<b>949</b>	<b>- Total Investment Income</b>	<b>1,260</b>	<b>1,157</b>

### NOTE 4: Other Revenue

	Unrealised gains arising from changes		
	- in the value of commercial forests	-	-
24	- GSF contributions	108	115
22	- Petroleum royalties	40	44
52	- Cost recovery income from fisheries	28	31
3	- Other	1,343	1,447
908			
<b>1,009</b>	<b>- Total Other Operational Revenue</b>	<b>1,519</b>	<b>1,637</b>

## NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>NOTE 5: Subsidies and Transfer Payments</b>			
	Social Assistance Grants		
5,450	- New Zealand superannuation	5,164	5,642
1,271	- ACC payments	1,244	1,352
1,501	- Domestic purposes benefit	1,391	1,519
1,369	- Unemployment benefit	1,177	1,286
862	- Family support	740	935
401	- Student allowances	348	405
3,598	- Other social assistance grants	3,412	3,749
115	- Subsidies	106	132
	Other Transfer Payments		
223	- Official development assistance	182	230
30	- Other	27	32
<b>14,820</b>	<b>- Total Subsidies and Transfer Payments</b>	<b>13,791</b>	<b>15,282</b>

### 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	891	978
70	- Other pension expenses	71	76
11,073	- Other personnel expenses	11,071	12,191
<b>12,116</b>	<b>- Total Personnel Expenses</b>	<b>12,033</b>	<b>13,245</b>

### NOTE 7: Operating Expenses

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

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

	Depreciation expenses:		
679	- Buildings	631	681
88	- Electricity distribution networks	130	89
135	- Electricity generation assets	129	143
164	- Specialist military equipment (SME)	154	171
203	- State highways	192	209
51	- Aircraft (excluding SME)	80	86
530	- Other plant and equipment	601	753
240	- Other assets	231	262
<b>2,090</b>	<b>- Total depreciation costs</b>	<b>2,148</b>	<b>2,394</b>
	Other operating expenses:		
649	- Rental and leasing costs	681	745
345	- Change in provision for doubtful debts	197	269
73	- Write off of bad debts	130	144
23	- Goodwill amortised	43	47
289	- Grants paid	270	292
309	- Lottery prize payments	278	305
28	- Loss/(gain) on sale of assets	35	34
15,416	- Other operating expenses	16,055	16,884
<b>19,222</b>	<b>- Total Operating Expenses</b>	<b>19,837</b>	<b>21,114</b>

# NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m	
<b>NOTE 8: Cash and Marketable Securities, Deposits &amp; Equity Investments</b>				
<b>By category:</b>				
2,771	-	<b>Total cash</b>	<b>2,866</b>	<b>2,820</b>
13,957	-	Marketable securities and deposits	15,532	14,410
1,980	-	Equity investments (eg, shares)	4,180	4,386
1,016	-	Reserve position at the IMF	948	966
<b>16,953</b>	-	<b>Total MSDs and Equity Investments</b>	<b>20,660</b>	<b>19,762</b>
<b>19,724</b>	-	<b>Cash and MSDs &amp; Equity Investments</b>	<b>23,526</b>	<b>22,582</b>
<b>By portfolio management:</b>				
10,621	-	Reserve Bank and DMO managed funds	10,726	10,001
615	-	NZS Fund (with NZDMO at present)	1,784	1,884
1,940	-	Government Superannuation Fund	3,121	2,695
769	-	EQC portfolio	1,222	1,266
2,046	-	ACC portfolio	2,911	2,440
962	-	Other holdings	896	1,476
<b>16,953</b>	-	<b>Total MSDs &amp; Equity Investments</b>	<b>20,660</b>	<b>19,762</b>

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

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

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

### New Zealand Superannuation Fund

The assets of the NZS Fund is the Government's means of building up assets to partially pre-fund future NZS expenses and may only be used for NZ Superannuation. The assets in this fund total \$1,784m. 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 \$8.6b. 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.

<b>Individual portfolio information (including cross holdings of NZ Government Stock)</b>				
615	-	NZS Fund	1,784	1,844
3,287	-	GSF net assets (including portfolio)	3,063	2,993
3,643	-	ACC portfolio	4,480	4,295
3,944	-	EQC portfolio	4,070	3,973

## NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>NOTE 9: Advances</b>			
4,749	-	5,250	5,322
66	-	70	74
48	-	-	-
42	-	43	45
30	-	28	29
7	-	5	6
305	-	303	313
<b>5,247</b>	<b>-</b>	<b>5,699</b>	<b>5,789</b>
<b>Analysis of Student Loans</b>			
<b>Outstanding balance</b>			
5,386	-	6,061	6,155
(637)	-	(811)	(833)
<b>4,749</b>	<b>-</b>	<b>5,250</b>	<b>5,322</b>
<b>Movement during the year</b>			
4,143	-	4,749	4,749
935	-	907	952
335	-	357	399
(246)	-	(229)	(251)
(149)	-	(168)	(168)
(276)	-	(373)	(367)
7	-	7	8
<b>4,749</b>	<b>-</b>	<b>5,250</b>	<b>5,322</b>
<b>NOTE 10: Receivables</b>			
4,690	-	5,635	4,496
2,999	-	4,513	3,628
280	-	230	252
247	-	388	180
<b>8,216</b>	<b>-</b>	<b>10,766</b>	<b>8,556</b>
<b>NOTE 11: Other Investments</b>			
106	-	99	99
104	-	96	96
-	-	5	30
76	-	76	79
<b>286</b>	<b>-</b>	<b>276</b>	<b>304</b>

# NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>NOTE 12: Property, Plant and Equipment</b>			
<b>By Type</b>			
<b>Gross Carrying Value</b>			
7,443	-	7,892	6,072
486	-	456	435
19,014	-	21,287	21,689
2,170	-	2,213	2,255
1,173	-	1,246	1,893
1,580	-	1,813	1,898
11,945	-	12,145	12,183
2,768	-	3,001	3,200
7,611	-	9,124	9,368
6,910	-	4,180	5,904
<b>61,100</b>	<b>-</b>	<b>63,357</b>	<b>64,897</b>
<b>Accumulated Depreciation</b>			
1,587	-	2,251	2,745
166	-	194	233
117	-	166	169
-	-	149	86
-	-	176	209
589	-	743	756
4,123	-	5,014	5,133
1,587	-	1,058	968
<b>8,169</b>	<b>-</b>	<b>9,751</b>	<b>10,299</b>
<b>Net Carrying Value</b>			
7,443	-	7,892	6,072
486	-	456	435
17,427	-	19,036	18,944
2,004	-	2,019	2,022
1,056	-	1,080	1,724
1,580	-	1,664	1,812
11,945	-	11,969	11,974
2,179	-	2,258	2,444
3,488	-	4,110	4,235
5,323	-	3,122	4,936
<b>52,931</b>	<b>-</b>	<b>53,606</b>	<b>54,598</b>
<b>By holding</b>			
52,464	-	53,235	53,850
467	-	371	748
<b>52,931</b>	<b>-</b>	<b>53,606</b>	<b>54,598</b>
<b>NOTE 13: Payables and Provisions</b>			
6,008	-	6,618	6,557
1,926	-	2,377	1,924
590	-	485	280
685	-	882	685
1,180	-	1,201	1,126
<b>10,389</b>	<b>-</b>	<b>11,563</b>	<b>10,572</b>

# 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 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>GSF liability and asset information</b>			
<b>Gross GSF liability</b>			
11,979	-	12,210	12,210
231	-	1,234	1,212
<b>12,210</b>	<b>- Closing gross liability</b>	<b>13,444</b>	<b>13,422</b>
<b>Less net assets available to the GSF scheme</b>			
3,492	-	3,287	3,287
(222)	-	(52)	(145)
17	-	(172)	(149)
<b>(205)</b>	<b>- Total projected change</b>	<b>(224)</b>	<b>(294)</b>
<b>3,287</b>	<b>- Closing net asset values</b>	<b>3,063</b>	<b>2,993</b>
<b>Net unfunded liability of the GSF schemes</b>			
8,487	-	8,923	8,923
436	-	1,458	1,506
<b>8,923</b>	<b>- Net unfunded liability</b>	<b>10,381</b>	<b>10,429</b>



# 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 Crown's 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 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>ACC liability and asset information</b>			
<b>Gross ACC liability</b>			
7,141	-	7,501	7,501
360	-	1,100	1,200
<b>7,501</b>	-	<b>8,601</b>	<b>8,701</b>
<b>Less net assets available to ACC</b>			
3,262	-	3,865	3,865
603	-	852	662
<b>3,865</b>	-	<b>4,717</b>	<b>4,527</b>
<b>Net ACC reserves (net liability)</b>			
3,879	-	3,636	3,636
(243)	-	678	538
<b>3,636</b>	-	<b>4,314</b>	<b>4,174</b>

## NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m	Actual 31 May 2003 \$m	Annual Budget Forecast 12 Months \$m
<b>NOTE 16: Revaluation Reserves</b>			
<i>Movement in Asset Revaluation Reserves</i>			
8,488	- Opening Balance	12,672	12,672
<b>Net Revaluations</b>			
3,315	- Land and buildings	115	92
20	- Electricity distribution network	-	-
-	- Aircraft (ex Specialist Military Equipment)	-	-
736	- State highways	-	-
-	- Specialist military equipment	-	-
116	- Other assets	64	18
<b>4,187</b>	<b>- Total Net Revaluations</b>	<b>179</b>	<b>110</b>
(3)	- Transfers to taxpayer funds	(17)	4
<b>12,672</b>	<b>- Closing Asset Revaluation Reserve</b>	<b>12,834</b>	<b>12,786</b>

# NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2002 \$m	Actual 31 May 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
<b>Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds</b>							
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.							
<b>Core Crown Cash Flows from Operations</b>							
36,762	35,486	Total tax receipts	36,638	36,690	(52)	(0.1)	39,856
318	304	Total other sovereign receipts	359	359	-	-	382
1,188	1,126	Interest, profits and dividends	1,210	1,210	-	-	1,208
1,309	1,050	Sale of goods & services and other receipts	1,204	1,204	-	-	1,201
(14,343)	(12,571)	Subsidies and transfer payments	(13,009)	(13,019)	10	0.1	(14,233)
(19,160)	(20,077)	Personnel and operating costs	(20,281)	(20,311)	30	0.1	(22,038)
(2,300)	(2,248)	Finance costs	(1,984)	(1,984)	-	-	(2,167)
-	-	Forecasts for future new spending	-	-	-	-	-
<b>3,774</b>	<b>3,070</b>	<b>Net Cash Flows From Operations</b>	<b>4,137</b>	<b>4,149</b>	<b>(12)</b>	<b>(0.3)</b>	<b>4,209</b>
<b>Investing flows</b>							
<i>Net advances</i>							
(681)	(657)	Student loans	(677)	(677)	-	-	-
(472)	(462)	Housing New Zealand Corporation	(107)	(107)	-	-	-
(75)	(24)	District health boards and CFA	(102)	(102)	-	-	-
70	70	Contact Energy Limited	48	48	-	-	-
45	19	Solid Energy New Zealand Limited	-	-	-	-	-
(2)	-	Other	25	25	-	-	(936)
<b>(1,115)</b>	<b>(1,054)</b>	<b>Total Net Advances</b>	<b>(813)</b>	<b>(813)</b>	<b>-</b>	<b>-</b>	<b>(936)</b>
<b>(1,220)</b>	<b>(1,022)</b>	<b>Net purchase of physical assets</b>	<b>(883)</b>	<b>(983)</b>	<b>100</b>	<b>10.2</b>	<b>(1,210)</b>
<i>Net investments</i>							
(885)	(885)	Air New Zealand Limited	-	-	-	-	-
(129)	(125)	District health boards	(229)	(229)	-	-	-
(72)	(72)	New Zealand Post Limited	-	-	-	-	-
(42)	-	Housing New Zealand Corporation	(28)	(28)	-	-	-
7	7	At Work Insurance Limited	-	-	-	-	-
(102)	(89)	Other	(102)	(102)	-	-	(485)
(600)	(566)	Net purchase of MSDs/equities by NZS Fund	(1,108)	(1,108)	-	-	(1,200)
-	-	Capital contingency provision	-	-	-	-	-
<b>(1,823)</b>	<b>(1,730)</b>	<b>Net (purchase)/sale of Investments</b>	<b>(1,467)</b>	<b>(1,467)</b>	<b>-</b>	<b>-</b>	<b>(1,685)</b>
<b>(384)</b>	<b>(736)</b>	<b>(Required to be financed)/Available for debt repayment</b>	<b>974</b>	<b>886</b>	<b>88</b>	<b>9.9</b>	<b>378</b>
<i>Used in:</i>							
273	149	Other net (purchase)/sale of marketable securities and deposits	(964)	(857)	(107)	(12.5)	(144)
<b>(111)</b>	<b>(587)</b>	<b>Total Investing activities</b>	<b>10</b>	<b>29</b>	<b>(19)</b>	<b>(65.5)</b>	<b>234</b>
(136)	501	Net issue/(repayment) of other New Zealand-dollar borrowing	99	99	-	-	446
(386)	(194)	Net issue/(repayment) of foreign currency borrowing	660	660	-	-	(692)
(383)	(445)	Net outflows/(inflow) of cash	289	237	52	21.9	455
196	248	Issues of circulating currency	195	228	(33)	(14.5)	228
<b>(709)</b>	<b>110</b>	<b>Net Repayment of/(Cash Proceeds from) Domestic Bonds</b>	<b>1,243</b>	<b>1,224</b>	<b>19</b>	<b>1.6</b>	<b>437</b>
<b>(820)</b>	<b>(477)</b>	<b>Gross Cash Proceeds from Domestic Bonds</b>	<b>1,253</b>	<b>1,253</b>	<b>-</b>	<b>-</b>	<b>671</b>
3,721	3,375	Domestic bonds (market)	2,029	2,029	-	-	2,531
347	199	Domestic bonds (non-market)	278	278	-	-	390
<b>4,068</b>	<b>3,574</b>	<b>Total Gross Cash Proceeds from Domestic Bonds</b>	<b>2,307</b>	<b>2,307</b>	<b>-</b>	<b>-</b>	<b>2,921</b>
(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)
<b>820</b>	<b>477</b>	<b>Net (Repayments of)/Cash Proceeds from Domestic Bonds</b>	<b>(1,253)</b>	<b>(1,253)</b>	<b>-</b>	<b>-</b>	<b>(671)</b>