

Financial Statements of the Government of New Zealand

For the Four Months
Ended 31 October 2003



12 December 2003

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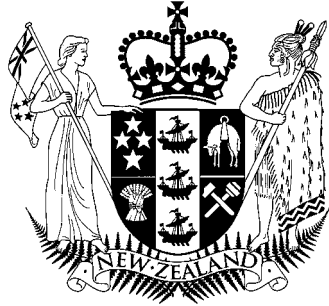
Financial Statements

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COMMENTARY

OVERVIEW — FOUR MONTHS TO OCTOBER 2003

Table 1 – Summary Fiscal Indicators

\$ million	October	October	Variance \$m	June 2004 Forecast	June 2003 Actual
	2003 Actual YTD	2003 Forecast YTD			
Operating balance	1,756	596	1,160	3,761	1,966
OBERAC	1,626	596	1,030	3,761	5,580
Net worth	25,490	24,283	1,207	23,958	23,781
Total Crown debt	40,620	39,961	659	36,378	38,285
Gross sovereign-issued debt	40,374	37,555	2,819	34,160	36,086
% of GDP	31.7	29.4	2.3	25.5	28.3
Net core Crown debt	17,085	17,774	(689)	18,455	17,601

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

Revised forecasts will be released as part of the 2003 December Economic and Fiscal Update (2003 DEFU). The 2003 DEFU is to be released on 18 December 2003. The updated December forecasts will take into consideration the actual outturns to 31 October, and will incorporate any permanent variances into the revised forecast.

The **operating balance** was \$1,756 million, which was higher-than-forecast by \$1,160 million. The key drivers of the forecast variance were:

- Tax revenue being higher than forecast by \$514 million. This was largely due to higher companies tax (\$288 million), reflecting stronger profitability in the corporate sector and higher net goods and services tax (\$166 million), reflecting stronger consumption and residential investments. It is expected these improvements will continue during the fiscal year and will be incorporated into the revised updated forecasts.
- Investment income being \$191 million higher than forecast, reflecting an appreciation in investment assets values compared to the 2003 BEFU.
- Core Crown expenses being \$179 million lower than forecast, mainly due to timing delays in health spending (\$98 million) and core government services (\$39 million), largely reflecting official development assistance payments (\$27 million).

- SOE and Crown entity surpluses (excluding investment income) being around \$200 million higher than forecast, with the variance spread over a number of entities.

The **OBERAC** was \$1,626 million. The difference between the OBERAC and the operating balance is largely due to investment asset movements (\$130 million).

Gross sovereign-issued debt (gross debt issued by the NZDMO) is \$2,819 million higher than forecast due to the issuance of Treasury Bills to the New Zealand Superannuation (NZS) Fund of \$2,541 million at 31 October. The progress towards the full year debt forecast of 25.5% of GDP is not affected by this issuance as the Treasury Bills mature during the financial year.

Net (core) Crown debt was \$689 million lower than forecast reflecting:

- higher than forecast cashflows from operations of \$676 million, largely due to cash impact of the improvement in tax revenue;
- delays in investment activity in Crown entities of \$119 million; and
- additional issue of circulating currency of \$137 million (which is not forecast as a matter of policy).

These were partially offset by other investing and financing activities.

COMPARISON WITH FORECAST

Financial Performance

The financial statements for the four months ended 31 October 2003 are compared against forecasts based on the 2003 Budget Economic and Fiscal Update (BEFU); updated for the balance sheet position reflected in the 30 June 2003 Crown Financial Statements and the TEI combination method used in the 2003 Crown Financial Statements of equity accounting (refer page 60 of the 30 June CFS). These factors have resulted in restated composition of the monthly and full year annual forecasts to those published in the BEFU, however the key aggregates remain unchanged.

Table 2 below provides a breakdown of the composition of the operating balance at a total Crown level.

Table 2 – Composition of Operating Balance

\$ million	October 2003 Actual YTD	October 2003 Forecast YTD	Variance \$m	June 2004 Forecast	June 2003 Actual
Revenue					
Taxation revenue	13,542	13,028	514	40,651	39,785
Levies, fees, fines & penalties	1,009	956	53	2,826	2,763
Other revenue	4,831	4,678	153	13,793	14,479
Total revenue	19,382	18,662	720	57,270	57,027
Expenses					
Functional expenses	16,571	17,052	(481)	50,949	49,292
Finance and FX movts	916	874	42	2,225	2,631
GSF and ACC liability movts	165	166	(1)	412	3,301
Total expenses	17,652	18,092	(440)	53,586	55,224
Net Surplus of TEIs	26	26	-	77	151
Minority interest	-	-	-	-	12
Operating balance	1,756	596	1,160	3,761	1,966

Table 3 below is a summary of the information presented on pages 20 to 23.

Table 3 – Summary Operating Balance by Segment

\$ million	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
Revenue					
October 2003 Actual YTD	14,922	6,631	3,096	(5,267)	19,382
October YTD forecast	14,293	6,281	3,228	(5,140)	18,662
Variance	629	350	(132)	(127)	720
Expenses					
October 2003 Actual YTD	13,674	6,250	2,874	(5,146)	17,652
October YTD forecast	13,853	6,088	3,122	(4,971)	18,092
Variance	(179)	162	(248)	(175)	(440)
TEI Surplus and Minority Interest					
October 2003 Actual YTD	-	26	-	-	26
October YTD forecast	-	26	-	-	26
Variance	-	-	-	-	-
Operating balance					
October 2003 Actual YTD	1,248	407	222	(121)	1,756
October YTD forecast	440	219	106	(169)	596
Variance	808	188	116	48	1,160

Overall, the largest operating balance was within the core Crown segment, reflecting higher-than-forecast tax revenue of \$514 million and lower-than-forecast expenses of \$179 million. Crown entities were higher than forecast primarily reflecting rising financial asset values due to continued global equity market recovery. The state-owned enterprises segment was higher than forecast by around \$100 million spread across the entire segment.

Financial Position

The Statement of Financial Position records the Crown's assets, liabilities and net worth as at 31 October 2003. Table 4 below provides a summary of the balance sheet as at 31 October 2003.

In summary, net worth is higher-than-forecast reflecting the operating balance improvements. The impacts of the operating balance activity on the cash flow, along with movements in working capital (accounts payable and receivable for example) and investment activity, result in a higher-than-forecast cash position. As such, financial assets are higher-than-forecast. The following page provides more information.

Table 4 – Summary of Balance Sheet

\$ million	October	October	Variance	
	Actual	Forecast	\$ million	%
Financial assets	34,031	32,794	1,237	3.8
Property, plant and equipment	52,001	52,167	(166)	(0.3)
Other assets	16,571	16,732	(161)	(1.0)
Total Assets	102,603	101,693	910	0.9
Gross debt	40,620	39,961	659	1.6
Provision for GSF pension liabilities	13,857	13,857	-	0.0
Provision for ACC outstanding claims	9,320	9,321	(1)	(0.0)
Other liabilities	13,316	14,271	(955)	(6.7)
Total Liabilities	77,113	77,410	(297)	(0.4)
Crown Balance (net worth)	25,490	24,283	1,207	5.0

Table 5 – Total Crown debt and core Crown debt information

\$ million	October	October	Variance \$m	June 2004 Forecast	June 2003 Actual
	2003 Actual YTD	2003 Forecast YTD			
Total Crown debt					
Gross Crown debt	40,620	39,961	659	36,378	38,285
% of GDP	31.9	31.3	0.6	27.1	30.0
Gross sovereign-issued debt	40,374	37,555	2,819	34,160	36,086
% of GDP	31.7	29.4	2.3	25.5	28.3
Core Crown debt information					
Gross core Crown debt	40,374	37,555	2,819	34,160	36,086
Financial assets	(26,121)	(25,102)	(1,019)	(22,382)	(23,029)
Debt less assets	14,253	12,453	1,800	11,778	13,057
NZS Fund and GSF assets	2,832	5,321	(2,489)	6,677	4,544
Core Crown net debt	17,085	17,774	(689)	18,455	17,601
% of GDP	13.4	13.9	(0.5)	13.8	13.8
GDP	127,275	127,720		134,034	127,720

Gross sovereign-issued debt was \$2,819 million higher than forecast due to the New Zealand Debt Management Office (NZDMO) issuing additional Treasury Bills of \$2,541 million to the New Zealand Superannuation (NZS) Fund at 31 October 2003. The progress towards the forecast 25.5% of GDP by 30 June 2004 will not be affected by the additional issuance as the Treasury Bills have maturity dates before year end.

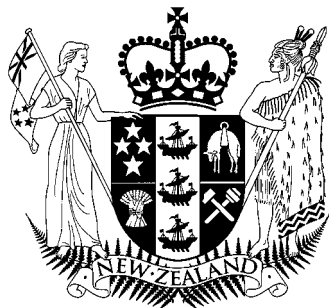
Core Crown Summary of Net Cash Flows

In terms of impact on gross sovereign-issued debt and core Crown net debt, the important determinant is the core Crown cash flow activity. It is this activity that impacts directly on the New Zealand Government Stock activity. The relevant financial information is included in the separate reconciliation of the core Crown cash flows to net bond issues (refer page 34).

Core Crown net cash flows for the four months ended 31 October 2003 were as follows:

Table 6 – Core Crown Cash Flow Information

\$ million	October	October	Variance	
	Actual	Forecast	\$ million	%
Operating activities	993	317	676	213.2
Investing activities (including NZS Fund purchases of MSDs & equities, and excluding other net purchases of MSDs)	(1,319)	(1,453)	134	(9.2)
Amount required to be financed	(326)	(1,136)	810	(71.3)
Net sale/(purchase) of other marketable securities and deposits	(1,425)	849	(2,274)	(267.8)
Financing activity	2,064	237	1,827	770.9
Net movement in cash	313	(50)	363	(726.0)



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

as at 31 October 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
- Reserve Bank of New Zealand
- Government Superannuation Fund
- Crown entities
- Departments
- State-owned enterprises
- Air New Zealand Limited

A schedule of entities included in the Crown reporting entity was set out on pages 96 and 97 of the Financial Statement of the Government of New Zealand for the year ended 30 June 2003.

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 were described on pages 39 to 49 of the Financial Statement of the Government of New Zealand for the year ended 30 June 2003.

There have been no changes in the accounting policies during the period 1 July 2003 to 31 October 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, updated for the balance sheet position reflected in the 30 June 2003 Crown financial statements and the TEI combination method used in the 2003 Crown financial statement of equity accounting (refer page 60 of the 2003 Crown financial statements).

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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 30 September 2003

5 Comparative Figures

Comparative figures for the previous financial year to 30 June 2003 and comparative year-to-date period are presented in these Financial Statements. The comparative year-to-date period has been restated for the accounting treatment of the TEI combination (refer page 60 of the 2003 Crown financial statements).

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

6 Outstanding Issues

While the fully consolidated Crown actuals and forecasts include the same reporting entities as previously, there are some issues still to be worked through. 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 combine tertiary education institution's (TEIs) in the Crown Financial Statements. The issue is not clear-cut. The Treasury, the Ministry of Education and TEIs are currently working through the issue, as outlined on page 60 of the 30 June 2003 Crown Financial Statements. The forecasts and actuals are continuing with the method of equity accounting TEIs.

STATEMENT OF FINANCIAL PERFORMANCE

for the four months ended 31 October 2003

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Revenue								
Levied through the Crown's Sovereign Power								
39,785	12,626	Taxation revenue	1	13,542	13,028	514	3.9	40,651
2,763	864	Levies, fees, fines and penalties	1	1,009	956	53	5.5	2,826
42,548	13,490	Total Revenue Levied through the Crown's Sovereign Power	1	14,551	13,984	567	4.1	43,477
Earned through the Crown's Operations								
10,385	3,031	Sales of goods and services	2	3,503	3,547	(44)	(1.2)	10,281
1,859	267	Investment income	3	756	565	191	33.8	1,831
2,235	511	Other revenue	4	572	566	6	1.1	1,681
14,479	3,809	Total Revenue Earned through the Crown's Operations		4,831	4,678	153	3.3	13,793
57,027	17,299	Total Crown Revenue		19,382	18,662	720	3.9	57,270
Expenses								
By input type								
15,107	5,143	Subsidies and transfer payments	5	5,211	5,217	6	0.1	15,787
11,620	3,813	Personnel expenses	6	4,106	4,063	(43)	(1.1)	12,099
22,565	6,551	Operating expenses	7	7,254	7,772	518	6.7	22,888
-	-	Forecast for future new spending		-	-	-	-	175
2,550	757	Finance costs		855	874	19	2.2	2,225
81	75	Net foreign-exchange losses/(gains)		61	-	(61)	-	-
1,647	-	Movement in total GSF liability	14	-	-	-	-	(87)
1,654	101	Movement in total ACC liability	15	165	166	1	0.6	499
55,224	16,440	Total Crown Expenses		17,652	18,092	440	2.4	53,586
1,803	859	Revenues less Expenses		1,730	570	1,160	1.4	3,684
151	50	Net surplus TEIs		26	26	-	-	77
1,954	909	Operating Balance (including minority interest)		1,756	596	1,160	194.6	3,761
12	-	Minority interest		-	-	-	-	-
1,966	909	Operating Balance		1,756	596	1,160	194.6	3,761

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

STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

for the four months ended 31 October 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 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast	
			Note	Actual \$m	Forecast \$m	Variance \$m	%	\$m
		Total Crown expenses						
		By functional classification						
17,084	5,310	Social security and welfare		5,464	5,419	(45)	(0.8)	16,534
2,625	344	GSF pension expenses		355	359	4	1.1	923
7,412	2,577	Health		2,545	2,583	38	1.5	7,970
7,788	2,357	Education		2,732	2,831	99	3.5	8,134
1,655	495	Core government services		503	541	38	7.0	1,623
1,911	620	Law and order		651	640	(11)	(1.7)	1,966
1,154	363	Defence		359	375	16	4.3	1,151
5,619	1,594	Transport and communications		1,580	1,657	77	4.6	5,738
		Economic and industrial						
4,280	968	services		1,488	1,737	249	14.3	3,792
1,023	357	Primary services		347	351	4	1.1	1,083
1,425	451	Heritage, culture and recreation		521	523	2	0.4	1,556
		Housing and community						
542	164	development		187	197	10	5.1	607
75	8	Other		4	5	1	20.0	109
2,550	757	Finance costs		855	874	19	2.2	2,225
		Net foreign-exchange						
81	75	losses/(gains)		61	-	(61)	-	-
-	-	Forecast for future new spending		-	-	-	-	175
55,224	16,440	Total Crown Expenses		17,652	18,092	440	2.4	53,586
		Core Crown expenses						
		By functional classification						
13,907	4,570	Social security and welfare		4,745	4,748	3	0.1	14,446
2,625	344	GSF pension expenses		355	359	4	1.1	923
7,501	2,467	Health		2,652	2,750	98	3.6	8,176
7,016	2,276	Education		2,533	2,538	5	0.2	7,607
1,780	534	Core government services		523	562	39	6.9	1,693
1,734	565	Law and order		599	588	(11)	(1.9)	1,774
1,199	380	Defence		379	389	10	2.6	1,192
1,408	264	Transport and communications		344	345	1	0.3	1,316
		Economic and industrial						
1,054	388	services		406	435	29	6.7	1,226
355	108	Primary services		105	111	6	5.4	367
515	145	Heritage, culture and recreation		199	199	-	-	575
		Housing and community						
102	25	development		36	44	8	18.2	135
75	8	Other		4	5	1	20.0	110
2,360	717	Finance costs		753	780	27	3.5	2,023
		Net foreign-exchange						
118	54	losses/(gains)		41	-	(41)	-	-
-	-	Forecast for future new spending		-	-	-	-	175
41,749	12,845	Total Expenses		13,674	13,853	179	1.3	41,738

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

STATEMENT OF CASH FLOWS

for the four months ended 31 October 2003

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Cash Flows From Operations							
Cash was provided from							
39,499	12,646	Total tax receipts (refer Note 1)	13,533	12,922	611	4.7	40,609
2,531	861	Total other sovereign receipts (refer Note 1)	1,182	953	229	24.0	2,724
1,200	351	Interest	473	244	229	93.9	919
45	11	Dividends	19	15	4	26.7	47
10,543	3,286	Sales of goods and services	3,533	3,421	112	3.3	9,798
1,472	401	Other operating receipts	513	604	(91)	(15.1)	1,816
55,290	17,556	Total cash provided from operations	19,253	18,159	1,094	6.0	55,913
Cash was disbursed to							
15,305	5,363	Subsidies and transfer payments	5,071	5,417	346	6.4	16,187
30,087	9,994	Personnel and operating payments	11,532	10,921	(611)	(5.6)	31,412
2,203	712	Finance costs	756	696	(60)	(8.6)	2,168
-	-	Forecast for future new spending	-	-	-	-	175
47,595	16,069	Total cash disbursed to operations	17,359	17,034	(325)	(1.9)	49,942
7,695	1,487	Net Cash Flows From Operations	1,894	1,125	769	68.4	5,971
Cash Flows From Investing Activities							
Cash was provided from							
240	61	Sale of physical assets	28	18	10	55.6	103
240	61	Total cash provided from investing activities	28	18	10	55.6	103
Cash was disbursed to							
3,492	941	Purchase of physical assets	1,064	1,239	175	14.1	3,619
1,341	(56)	Net increase in advances	284	183	(101)	(55.2)	670
5,023	2,500	Net purchase/(sale) of marketable securities, deposits & equity investments	2,496	75	2,421	-	822
-	-	Capital contingency provision	-	-	-	-	206
9,856	3,385	Total cash disbursed to investing activities	3,844	1,497	(2,347)	(156.8)	5,317
(9,616)	(3,324)	Net Cash Flows From Investing Activities	(3,816)	(1,479)	(2,337)	(158.0)	(5,214)
(1,921)	(1,837)	Net Cash Flows From Operating and Investing Activities	(1,922)	(354)	(1,568)	(442.9)	757
Cash Flows From Financing Activities							
Cash was Provided From							
147	163	Issues of circulating currency	136	-	136	-	-
292	1,104	Net (repayment)/issues of Government stock ¹	1,149	914	235	25.7	(506)
439	1,267	Total cash provided from financing activities	1,285	914	371	40.6	(506)
Cash was Disbursed to							
(392)	(334)	Net (issue)/repayment of other New Zealand- dollar borrowing	(322)	647	969	149.8	327
(1,542)	(373)	Net (issue)/repayment of foreign-currency borrowing	(490)	104	594	-	(6)
(1,934)	(707)	Total cash disbursed to financing activities	(812)	751	1,563	208.1	321
2,373	1,974	Net Cash Flows From Financing Activities	2,097	163	1,934	-	(827)
452	137	Net Movement in Cash	175	(191)	366	191.6	(70)
2,274	2,274	Opening Cash Balance	2,732	2,732	-	-	2,147
6	14	Foreign-exchange gains/(losses) on opening cash	21	16	5	31.3	(4)
2,732	2,425	Closing Cash Balance	2,928	2,557	371	14.5	2,073

¹ 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 four months ended 31 October 2003

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
7,695	1,487	Net Cash Flows from Operations	1,894	1,125	769	68	5,971
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Valuation changes					
(1,647)	-	(Increase)/decrease in pension liabilities	-	-	-	-	87
(1,654)	(101)	(Increase)/decrease in ACC liabilities	(165)	(166)	1	1	(499)
(197)	-	National Provident Fund guarantee	-	-	-	-	-
(20)	-	Revaluation of commercial forests	-	-	-	-	-
(247)	(110)	Unrealised net foreign-exchange (losses)/gains	(134)	-	(134)	-	108
(349)	-	Other valuation changes	-	-	-	-	-
(4,114)	(211)	Total valuation changes	(299)	(166)	(133)	(80.1)	(304)
		Property, plant & equipment asset movements					
(2,177)	(673)	Depreciation	(757)	(782)	25	3.2	(2,340)
(19)	(8)	(Loss)/gain on sale of physical assets	-	-	-	-	-
(2,196)	(681)	Total property, plant & equipment movements	(757)	(782)	25	3.2	(2,340)
		Other Non-cash Items					
(79)	32	Student loans	44	35	9	25.7	(99)
(84)	(16)	Amortisation of goodwill	(16)	(16)	-	-	(47)
(11)	(16)	Other	11	26	(15)	(57.7)	264
(174)	-	Total Other Non-cash Items	39	45	(6)	(13.3)	118
138	(259)	Total other investing and financing items	233	77	156	202.6	-
		Movements in Working Capital					
685	151	(Decrease)/increase in taxes receivable	(105)	526	(631)	(120.0)	37
854	435	(Decrease)/increase/ in other receivables	(262)	(800)	538	67.3	(113)
(56)	42	Increase/(decrease) in inventories	27	46	(19)	(41.3)	35
(866)	(55)	Decrease/(increase) in payables	986	525	461	87.8	357
617	573	Total movements in working capital	646	297	349	117.5	316
1,966	909	Operating Balance	1,756	596	1,160	194.6	3,761

STATEMENT OF MOVEMENTS IN EQUITY

for the four months ended 31 October 2003

18,820	18,726	Opening Crown Balance	23,687	23,687	-	-	20,197
-	-	Asset and liability recognition policy changes	-	-	-	-	-
18,820	18,726	Adjusted Operating Crown Balance	23,687	23,687	-	-	20,197
1,966	909	Operating balance for the period	1,756	596	1,160	194.6	3,761
2,995	68	Net revaluations	47	-	47	-	-
4,961	977	Total Recognised Revenues and Expenses	1,803	596	1,207	202.5	3,761
23,781	19,703	Closing Crown Balance	25,490	24,283	1,207	5.0	23,958

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

STATEMENT OF FINANCIAL POSITION

as at 31 October 2003

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Note	Current Year Actual vs Forecast			Annual Forecast	
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets								
2,732	2,425	Cash and bank balances	8	2,928	2,557	371	14.5	2,073
		Marketable securities, deposits & equity investments ¹	8	24,379	23,531	848	3.6	19,453
21,306	19,672	Advances	9	6,724	6,706	18	0.3	7,222
6,300	5,317	Receivables	10	9,776	9,869	(93)	(0.9)	8,325
10,143	8,619	Inventories		867	886	(19)	(2.1)	902
840	938	Other investments	11	266	242	24	9.9	396
264	287	Property, plant & equipment	12	52,001	52,167	(166)	(0.3)	52,105
52,667	49,479	Commercial forests		305	300	5	1.7	302
312	332	Investment in TEIs		4,277	4,277	-	-	3,976
4,212	3,715	Intangible assets		1,080	1,158	(78)	(6.7)	618
1,075	732	Forecast for new capital		-	-	-	-	206
-	-							
99,851	91,516	Total Assets		102,603	101,693	910	0.9	95,578
Liabilities								
11,878	9,862	Payables and provisions	13	10,285	11,376	1,091	9.6	9,744
2,895	2,898	Currency issued		3,031	2,895	(136)	(4.7)	2,963
		Borrowings - sovereign guaranteed		33,120	32,608	(512)	(1.6)	28,957
31,077	32,300	Borrowings - non-sovereign guaranteed		7,500	7,353	(147)	(2.0)	7,421
7,208	6,941	GSF Pension liability	14	13,857	13,857	-	-	13,335
13,857	12,210	ACC liability	15	9,320	9,321	1	-	9,200
9,155	7,602							
76,070	71,813	Total Liabilities		77,113	77,410	297	0.4	71,620
23,781	19,703	Total Assets less Total Liabilities		25,490	24,283	1,207	5.0	23,958
Crown Balance								
8,063	6,963	Taxpayer funds		9,827	8,659	(1,168)	(13.5)	11,172
15,624	12,740	Revaluation reserve	16	15,663	15,624	(39)	(0.2)	12,786
94	-	Minority interest		-	-	-	-	-
23,781	19,703	Crown Balance		25,490	24,283	1,207	5.0	23,958

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 October 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 2003 \$m	Actual 31 October 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.

615	615	Opening balance	1,884	1,884	-	-	1,884
1,200	415	Gross contribution	616	616	-	-	1,879
69	16	Income (after tax)	41	41	-	-	187
1,884	1,046	NZS Fund balance	2,541	2,541	-	-	3,950

Gross and Net Debt information

Definitions of debt:

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

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

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

		Total Crown Debt					
38,285	39,241	Total Crown gross debt	40,620	39,961	659	1.6	36,378
36,086	36,899	Total gross sovereign-issued debt	40,374	37,555	2,819	7.5	34,160
		Core Crown Debt					
36,086	36,899	Gross sovereign-issued debt	40,374	37,555	2,819	7.5	34,160
(23,029)	(21,700)	Financial assets	(26,121)	(25,102)	(1,019)	(4.1)	(22,382)
13,057	15,199	Borrowings less financial assets	14,253	12,453	1,800	14.5	11,778
4,544	4,165	NZS Fund and GSF financial assets	2,832	5,321	(2,489)	(46.8)	6,677
17,601	19,364	Net Crown Debt	17,085	17,774	(689)	(3.9)	18,455

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

STATEMENT OF BORROWINGS

as at 31 October 2003

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
Sovereign-Guaranteed Debt							
New Zealand-Dollar Debt							
18,745	19,805	Government stock	19,882	19,525	(357)	(1.8)	18,259
5,317	5,596	Treasury bills	5,767	5,659	(108)	(1.9)	5,270
(500)	(584)	Loans and foreign-exchange contracts	(652)	292	944	323.3	(1,183)
818	684	Retail stock	734	688	(46)	(6.7)	632
24,380	25,501	Total New Zealand-Dollar Debt	25,731	26,164	433	1.7	22,978
Foreign-Currency Debt							
2,495	4,292	United States dollars	3,123	3,267	144	4.4	3,591
835	281	Japanese yen	898	898	-	-	106
3,367	2,226	European and other currencies	3,368	2,279	(1,089)	(47.8)	2,282
6,697	6,799	Total Foreign-Currency Debt	7,389	6,444	(945)	(14.7)	5,979
31,077	32,300	Total Sovereign-Guaranteed Debt	33,120	32,608	(512)	(1.6)	28,957
Non-Sovereign-Guaranteed Debt							
5,739	5,419	New Zealand dollars	6,318	6,098	(220)	(3.6)	6,469
977	1,399	United States dollars	1,059	1,059	-	-	829
212	-	Japanese yen	-	-	-	-	-
280	123	European and other currencies	123	196	73	37.2	123
7,208	6,941	Total Non-Sovereign Debt	7,500	7,353	(147)	(2.0)	7,421
38,285	39,241	Total Borrowings (Gross Debt)	40,620	39,961	(659)	(1.6)	36,378
Less							
Financial Assets (including restricted assets)							
Marketable Securities, Deposits and Equity Investments							
8,276	8,733	New Zealand dollars	9,691	11,517	(1,826)	(15.9)	7,670
4,144	4,778	United States dollars	4,900	4,199	701	16.7	5,211
838	294	Japanese yen	1,011	1,011	-	-	143
2,247	1,259	European and other currencies	2,146	1,165	981	84.2	607
1,067	1,030	Reserve position at IMF	1,248	968	280	28.9	1,074
1,401	774	NZ equity investments	1,534	1,245	289	23.2	1,362
3,333	2,804	Foreign equity investments	3,849	3,426	423	12.3	3,386
21,306	19,672	Total Marketable Securities	24,379	23,531	848	3.6	19,453
		Deposits & Equity Investments					
		Advances and Cash					
5,370	4,931	Student loans	5,579	5,554	25	0.5	5,926
930	386	Other advances	1,145	1,152	(7)	(0.6)	1,296
2,732	2,425	Cash	2,928	2,557	371	14.5	2,073
9,032	7,742	Total Advances and Cash	9,652	9,263	389	4.2	9,295
30,338	27,414	Total Financial Assets	34,031	32,794	1,237	3.8	28,748
7,947	11,827	Borrowings less Financial Assets	6,589	7,167	578	8.1	7,630
11,478	13,689	Net New Zealand-dollar debt	11,244	11,482	238	2.1	11,120
(3,531)	(1,862)	Net foreign-currency debt	(4,655)	(4,315)	340	7.9	(3,490)
7,947	11,827	Borrowings less Financial Assets	6,589	7,167	578	8.1	7,630

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

STATEMENT OF COMMITMENTS

as at 31 October 2003

	As at 31 October 2003 \$m	As at 30 June 2003 \$m	As at 31 October 2002 \$m
Capital Commitments			
Specialist military equipment	160	292	458
Land and buildings	934	987	1,204
Other property, plant and equipment	455	862	284
Other capital commitments	100	145	46
TEIs	32	32	-
Total Capital Commitments	1,681	2,318	1,992
Operating Commitments			
Non-cancellable accommodation leases	1,220	1,268	1,391
Other non-cancellable leases	3,131	3,174	2,673
Non-cancellable contracts for the supply of goods and services	3,265	1,907	1,975
Other operating commitments	2,054	2,645	1,635
TEIs	316	316	-
Total Operating Commitments	9,986	9,310	7,674
Total Commitments	11,667	11,628	9,666
Total Commitments by Institutional Segment			
Core Crown	4,923	4,731	5,723
Crown entities	4,698	4,783	2,337
State-owned enterprises	2,046	2,114	1,606
Total Commitments	11,667	11,628	9,666

STATEMENT OF CONTINGENT LIABILITIES

as at 31 October 2003

Quantifiable Contingent Liabilities	As at 31 October 2003 \$m	As at 30 June 2003 \$m	As at 31 October 2002 \$m
Guarantees and Indemnities	347	418	117
Uncalled Capital	2,518	2,641	3,105
Legal Proceedings and Disputes	381	242	511
Other Contingent Liabilities	1,222	1,316	1,737
Total Quantifiable Contingent Liabilities	4,468	4,617	5,470
Total Quantifiable Contingent Liabilities by Institutional Segment			
Core Crown	4,336	4,418	5,259
Crown entities	10	45	15
State-owned enterprises	122	154	196
Total Quantifiable Contingent Liabilities	4,468	4,617	5,470
Quantifiable Contingent Assets			
Core Crown - Education and Transport	129	129	-
Total Quantifiable Contingent Assets	129	129	-

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 four months ended 31 October 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast			
	Core Crown		Crown entities	
	Actual October 2003/04 \$m	Forecast October 2003/04 \$m	Actual October 2003/04 \$m	Forecast October 2003/04 \$m
Revenue				
Taxation revenue	13,662	13,115	-	-
Other sovereign levied income	187	187	842	786
Sales of goods and services	284	259	448	387
Investment income	605	581	308	211
Other revenues	184	151	5,033	4,897
Total revenue	14,922	14,293	6,631	6,281
Expenses by input type				
Subsidies and transfer payments	4,734	4,767	477	450
Personnel expenses	1,475	1,455	2,101	2,050
Operating expenses	6,671	6,851	3,416	3,351
Finance costs	753	780	67	71
FX losses/(gains)	41	-	24	-
GSF and ACC liability revaluation movts	-	-	165	166
Total expenses	13,674	13,853	6,250	6,088
Expenses by functional classification				
Social security and welfare	4,745	4,748	864	824
Health	2,652	2,750	2,087	2,009
Education	2,533	2,750	2,040	2,005
Other functional classifications	2,950	2,825	1,168	1,179
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	794	780	91	71
Total expenses	13,674	13,853	6,250	6,088
Net surplus of TEIs	-	-	26	26
Minority interest	-	-	-	-
Operating balance	1,248	440	407	219

Statement of Financial Position (institutional form) as at 31 October 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast			
	Core Crown		Crown entities	
	Actual October 2003/04 \$m	Forecast October 2003/04 \$m	Actual October 2003/04 \$m	Forecast October 2003/04 \$m
Assets				
Financial assets	26,121	25,102	11,094	11,533
Physical assets	17,290	17,566	25,332	25,182
Investment in SOEs & CE (including TEIs)	23,214	23,376	4,277	4,277
Other assets	8,532	8,836	1,778	1,693
Total assets	75,157	74,880	42,481	42,685
Liabilities				
Borrowings	37,504	37,230	3,314	3,182
Other liabilities	23,470	24,214	11,987	12,377
Total liabilities	60,974	61,444	15,301	15,559
Net worth	14,183	13,436	27,180	27,126
Taxpayer funds	9,495	8,754	17,481	17,460
Revaluation reserves	4,688	4,682	9,699	9,666
Net worth	14,183	13,436	27,180	27,126
Analysis of financial assets and borrowings				
Advances and cash	7,565	7,285	1,372	1,363
MSDs and equity investments	18,556	17,817	9,722	10,170
Total financial assets	26,121	25,102	11,094	11,533
Borrowings - Sovereign guaranteed	37,504	37,230	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,314	3,182
Total borrowings	37,504	37,230	3,314	3,182
Borrowings less financial assets	11,383	12,128	(7,780)	(8,351)
Net Crown debt	17,085	17,774		
Gross sovereign-issued debt	40,374	37,555		

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 four months ended 31 October 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual October 2003/04 \$m	Forecast October 2003/04 \$m	Actual October 2003/04 \$m	Forecast October 2003/04 \$m	Actual October 2003/04 \$m	Forecast October 2003/04 \$m
Revenue						
Taxation revenue	-	-	(120)	(87)	13,542	13,028
Other sovereign levied income	-	-	(20)	(17)	1,009	956
Sales of goods and services	2,892	3,039	(121)	(138)	3,503	3,547
Investment income	34	13	(191)	(240)	756	565
Other revenues	170	176	(4,815)	(4,658)	572	566
Total revenue	3,096	3,228	(5,267)	(5,140)	19,382	18,662
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	5,211	5,217
Personnel expenses	530	560	-	(2)	4,106	4,063
Operating expenses	2,245	2,468	(5,078)	(4,898)	7,254	7,772
Finance costs	103	94	(68)	(71)	855	874
FX losses/(gains)	(4)	-	-	-	61	-
GSF and ACC liability revaluation movts	-	-	-	-	165	166
Total expenses	2,874	3,122	(5,146)	(4,971)	17,652	18,092
Expenses by functional classification						
Social security and welfare	-	-	(145)	(153)	5,464	5,419
Health	-	-	(2,194)	(2,176)	2,545	2,583
Education	-	-	(1,841)	(1,924)	2,732	2,831
Other functional classifications	2,775	3,028	(898)	(647)	5,995	6,385
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	99	94	(68)	(71)	916	874
Total expenses	2,874	3,122	(5,146)	(4,971)	17,652	18,092
Net surplus of TEIs	-	-	-	-	26	26
Minority interest	-	-	-	-	-	-
Operating balance	222	106	(121)	(169)	1,756	596

Statement of Financial Position (institutional form) as at 31 October 2003 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual October 2003/04 \$m	Forecast October 2003/04 \$m	Actual October 2003/04 \$m	Forecast October 2003/04 \$m	Actual October 2003/04 \$m	Forecast October 2003/04 \$m
Assets						
Financial assets	2,274	1,774	(5,458)	(5,615)	34,031	32,794
Physical assets	9,379	9,419	-	-	52,001	52,167
Investment in SOEs & CE (including TEIs)	-	-	(23,214)	(23,376)	4,277	4,277
Other assets	2,549	2,583	(565)	(657)	12,294	12,455
Total assets	14,202	13,776	(29,237)	(29,648)	102,603	101,693
Liabilities						
Borrowings	5,260	5,164	(5,458)	(5,615)	40,620	39,961
Other liabilities	2,255	2,107	(1,219)	(1,249)	36,493	37,449
Total liabilities	7,515	7,271	(6,677)	(6,864)	77,113	77,410
Net worth	6,687	6,505	(22,560)	(22,784)	25,490	24,283
Taxpayer funds	5,411	5,229	(22,560)	(22,784)	9,827	8,659
Revaluation reserves	1,276	1,276	-	-	15,663	15,624
Net worth	6,687	6,505	(22,560)	(22,784)	25,490	24,283
Analysis of financial assets and borrowings						
Advances and cash	1,757	1,544	(1,042)	(929)	9,652	9,263
MSDs and equity investments	517	230	(4,416)	(4,686)	24,379	23,531
Total financial assets	2,274	1,774	(5,458)	(5,615)	34,031	32,794
Borrowings - Sovereign guaranteed	-	-	(4,384)	(4,622)	33,120	32,608
Borrowings - Non-sovereign guaranteed	5,260	5,164	(1,074)	(993)	7,500	7,353
Total borrowings	5,260	5,164	(5,458)	(5,615)	40,620	39,961
Borrowings less financial assets	2,986	3,390	-	-	6,589	7,167

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 2004 (compared to actual 30 June 2003)

(\$ million)	Prior Year Actual vs Current Year Forecast			
	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
Revenue				
Taxation revenue	40,168	41,018	-	-
Other sovereign levied income	517	524	2,297	2,330
Sales of goods and services	730	752	1,245	1,331
Investment income	1,539	1,649	718	723
Other revenues	670	526	13,600	14,658
Total revenue	43,624	44,469	17,860	19,042
Expenses by input type				
Subsidies and transfer payments	13,798	14,404	1,309	1,383
Personnel expenses	4,011	4,137	6,054	6,358
Operating expenses	19,815	21,261	8,867	9,969
Finance costs	2,360	2,023	202	205
FX losses/(gains)	118	-	48	-
GSF and ACC liability movements	1,647	(87)	1,654	499
Total expenses	41,749	41,738	18,134	18,414
Expenses by functional classification				
Social security and welfare	13,907	14,446	3,587	2,504
Health	7,501	8,176	5,934	5,963
Education	7,016	7,607	4,724	5,738
Other functional classifications	10,847	9,311	3,639	4,004
Forecast for future new spending	-	175	-	-
Finance costs and FX losses/(gains)	2,478	2,023	250	205
Total expenses	41,749	41,738	18,134	18,414
Net surplus of TEIs	-	-	151	77
Minority interest	-	-	-	-
Operating balance	1,875	2,731	(123)	705

Forecast Statement of Financial Position (institutional form) as at 30 June 2004 (compared to actual 30 June 2003)

(\$ million)	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
	Assets			
Financial assets	23,029	22,382	10,947	10,962
Physical assets	17,450	17,965	25,253	22,647
Investment in SOEs & CE (including TEIs)	23,166	22,629	4,212	3,976
Other assets	8,589	7,393	2,334	2,253
Total assets	72,234	70,369	42,746	39,838
Liabilities				
Borrowings	35,575	34,160	3,167	3,362
Other liabilities	23,661	21,948	12,753	11,839
Total liabilities	59,236	56,108	15,920	15,201
Net worth	12,998	14,261	26,826	24,637
Taxpayer Funds	8,316	10,739	17,160	16,662
Revaluation reserves	4,682	3,522	9,666	7,975
Minority interest	-	-	-	-
Net worth	12,998	14,261	26,826	24,637
Analysis of financial assets and borrowings				
Advances and cash	6,994	8,144	1,501	1,162
MSDs and equity investments	16,035	14,238	9,446	9,800
Total financial assets	23,029	22,382	10,947	10,962
Borrowings - Sovereign guaranteed	35,575	34,160	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,167	3,362
Total borrowings	35,575	34,160	3,167	3,362
Borrowings less financial assets	12,546	11,778	(7,780)	(7,600)
Net Crown debt	17,601	18,455		
Gross sovereign-issued borrowings	36,086	34,160		

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 2004 (compared to actual 30 June 2003)

(\$ million)	Prior Year Actual vs Current Year Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
Revenue						
Taxation revenue	-	-	(383)	(367)	39,785	40,651
Other sovereign levied income	-	-	(51)	(28)	2,763	2,826
Sales of goods and services	8,797	8,533	(387)	(335)	10,385	10,281
Investment income	104	22	(502)	(563)	1,859	1,831
Other revenues	588	496	(12,623)	(13,999)	2,235	1,681
Total revenue	9,489	9,051	(13,946)	(15,292)	57,027	57,270
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	15,107	15,787
Personnel expenses	1,557	1,604	(2)	-	11,620	12,099
Operating expenses	7,334	6,563	(13,451)	(14,730)	22,565	23,063
Finance costs	267	261	(279)	(264)	2,550	2,225
FX losses/(gains)	(85)	-	-	-	81	-
GSF and ACC liability revaluation movts	-	-	-	-	3,301	412
Total expenses	9,073	8,428	(13,732)	(14,994)	55,224	53,586
Expenses by functional classification						
Social security and welfare	-	-	(410)	(416)	17,084	16,534
Health	-	-	(6,023)	(6,169)	7,412	7,970
Education	-	-	(3,952)	(5,211)	7,788	8,134
Other functional classifications	8,891	8,167	(3,068)	(2,934)	20,309	18,548
Forecast for future new spending	-	-	-	-	-	175
Finance costs and FX losses/(gains)	182	261	(279)	(264)	2,631	2,225
Total expenses	9,073	8,428	(13,732)	(14,994)	55,224	53,586
Net surplus of TEIs	-	-	-	-	151	77
Minority interest	12	-	-	-	12	-
Operating balance	428	623	(214)	(298)	1,966	3,761

Forecast Statement of Financial Position (institutional form) as at 30 June 2004 (compared to actual 30 June 2003)

(\$ million)	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
	Assets					
Financial assets	2,016	2,455	(5,654)	(7,051)	30,338	28,748
Physical assets	9,964	11,493	-	-	52,667	52,105
Investment in SOEs & CE (including TEIs)	-	-	(23,166)	(22,629)	4,212	3,976
Other assets	2,508	2,005	(797)	(902)	12,634	10,749
Total assets	14,488	15,953	(29,617)	(30,582)	99,851	95,578
Liabilities						
Borrowings	5,197	5,907	(5,654)	(7,051)	38,285	36,378
Other liabilities	2,663	2,665	(1,292)	(1,210)	37,785	35,242
Total liabilities	7,860	8,572	(6,946)	(8,261)	76,070	71,620
Net worth	6,628	7,381	(22,671)	(22,321)	23,781	23,958
Taxpayer Funds	5,258	6,092	(22,671)	(22,321)	8,063	11,172
Revaluation reserves	1,276	1,289	-	-	15,624	12,786
Minority interest	94	-	-	-	94	-
Net worth	6,628	7,381	(22,671)	(22,321)	23,781	23,958
Analysis of financial assets and borrowings						
Advances and cash	1,541	980	(1,004)	(991)	9,032	9,295
MSDs and equity investments	475	1,475	(4,650)	(6,060)	21,306	19,453
Total financial assets	2,016	2,455	(5,654)	(7,051)	30,338	28,748
Borrowings - Sovereign guaranteed	-	-	(4,498)	(5,203)	31,077	28,957
Borrowings - Non-sovereign guaranteed	5,197	5,907	(1,156)	(1,848)	7,208	7,421
Total borrowings	5,197	5,907	(5,654)	(7,051)	38,285	36,378
Borrowings less financial assets	3,181	3,452	-	-	7,947	7,630

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1: Revenue Collected Through the Crown's Sovereign Power							
Income Tax Revenue (accrual)							
Individuals							
15,933	5,044	Source deductions	5,451	5,346	105	2.0	16,396
4,195	1,146	Other persons	1,115	1,175	(60)	(5.1)	4,328
(834)	(341)	Refunds	(336)	(335)	(1)	(0.3)	(834)
375	132	Fringe benefit tax	126	125	1	0.8	373
19,669	5,981	Total Individuals	6,356	6,311	45	0.7	20,263
Corporate Tax							
5,245	1,724	Gross companies tax	2,099	1,817	282	15.5	5,190
(191)	(54)	Refunds	(33)	(39)	6	15	(138)
732	249	Non-resident withholding tax	239	207	32	15.5	702
154	55	Foreign-source dividend w/holding payments	53	55	(2)	(3.6)	126
5,940	1,974	Total Corporate Tax	2,358	2,040	318	15.6	5,880
Other Income Tax							
1,111	334	Resident w/holding tax on interest income	384	345	39	11.3	1,074
57	29	Resident w/holding tax on dividend income	19	23	(4)	(17.4)	52
1	-	Estate and gift duties	1	-	1	-	1
1,169	363	Total Other Income Tax	404	368	36	9.8	1,127
26,778	8,318	Total Income Tax	9,118	8,719	399	4.6	27,270
Goods and Services Tax							
14,959	5,027	Gross goods and services tax	5,199	5,049	150	3.0	15,579
(6,221)	(2,190)	Refunds	(2,174)	(2,190)	16	0.7	(6,465)
8,738	2,837	Total Goods and Services Tax	3,025	2,859	166	5.8	9,114
Other Taxation							
995	345	Petroleum fuels excise	313	318	(5)	(1.6)	918
850	308	Tobacco excise	287	306	(19)	(6.2)	876
750	261	Customs duty	230	259	(29)	(11.2)	745
621	199	Road user charges	212	206	6	2.9	631
465	154	Alcohol excise	158	162	(4)	(2.5)	492
248	81	Gaming duties	86	88	(2)	(2.3)	281
197	66	Motor vehicle fees	69	66	3	4.5	193
94	37	Energy resources levies	29	30	(1)	(3.3)	86
49	20	Approved issuer levy and cheque duty	15	15	-	-	45
4,269	1,471	Total Other Indirect Taxation	1,399	1,450	(51)	(3.5)	4,267
13,007	4,308	Total Indirect Taxation	4,424	4,309	115	2.7	13,381
39,785	12,626	Total Tax Revenue Collected	13,542	13,028	514	3.9	40,651
Other Sovereign Revenues (accrual)							
1,854	565	ACC levies	675	626	49	7.8	1,897
228	70	Fire Service levies	88	85	3	3.5	224
77	25	EQC levies	26	26	-	-	78
604	204	Other miscellaneous items	220	219	1	0.5	627
2,763	864	Total Other Sovereign Revenues	1,009	956	53	5.5	2,826
42,548	13,490	Total Sovereign Revenue	14,551	13,984	567	4.1	43,477

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1: Receipts Collected Through the Crown's Sovereign Power							
Income Tax Receipts (cash)							
Individuals							
15,623	5,061	Source deductions	5,559	5,365	194	3.6	16,396
4,499	1,168	Other persons	1,184	1,185	(1)	(0.1)	4,734
(1,287)	(541)	Refunds	(558)	(544)	(14)	(2.6)	(1,240)
374	178	Fringe benefit tax	193	184	9	4.9	373
19,209	5,866	Total Individuals	6,378	6,190	188	3.0	20,263
Corporate Tax							
6,021	1,811	Gross companies tax	2,228	1,805	423	23.4	5,775
(821)	(204)	Refunds	(295)	(212)	(83)	(39)	(722)
740	319	Non-resident withholding tax	287	274	13	4.7	710
160	38	Foreign-source dividend w/holding payments	25	36	(11)	(30.6)	126
6,100	1,964	Total Corporate Tax	2,245	1,903	342	18.0	5,889
Other Income Tax							
1,104	336	Resident w/holding tax on interest income	394	361	33	9.1	1,074
56	30	Resident w/holding tax on dividend income	29	25	4	16.0	52
2	-	Estate and gift duties	1	-	1	-	1
1,162	366	Total Other Income Tax	424	386	38	9.8	1,127
26,471	8,196	Total Income Tax	9,047	8,479	568	6.7	27,279
Goods and Services Tax							
14,489	4,934	Gross goods and services tax	5,126	5,002	124	2.5	15,229
(5,718)	(1,881)	Refunds	(2,044)	(1,939)	(105)	(5.4)	(6,165)
8,771	3,053	Total Goods and Services Tax	3,082	3,063	19	0.6	9,064
Other Taxation							
971	331	Petroleum fuels excise	338	313	25	8.0	918
867	293	Tobacco excise	250	286	(36)	(12.6)	876
712	224	Customs duty	257	234	23	9.8	745
620	199	Road user charges	212	193	19	9.8	629
461	135	Alcohol excise	140	148	(8)	(5.4)	492
277	80	Gaming duties	81	81	-	-	281
201	81	Motor vehicle fees	79	75	4	5.3	193
97	38	Energy resources levies	29	35	(6)	(17.1)	87
51	16	Approved issuer levy and cheque duty	18	15	3	20.0	45
4,257	1,397	Total Other Indirect Taxation	1,404	1,380	24	1.7	4,266
13,028	4,450	Total Indirect Taxation	4,486	4,443	43	1.0	13,330
39,499	12,646	Total Tax Receipts Collected	13,533	12,922	611	4.7	40,609
Other Sovereign Receipts (cash)							
1,638	543	ACC levies	875	655	220	33.6	1,931
227	85	Fire Service levies	88	85	3	3.5	226
77	28	EQC levies	29	29	-	-	79
589	205	Other miscellaneous items	190	184	6	3.3	488
2,531	861	Total Other Sovereign Receipts	1,182	953	229	24.0	2,724
42,030	13,507	Total Sovereign Receipts	14,715	13,875	840	6.1	43,333

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance \$m %		\$m

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 and so on. The total sales of SOEs represents the majority of their income from electricity generation and distribution services, postal services, advertising, air travel sales and so on.

NOTE 3: Investment Income

Investment Income							
1,086	303	Interest income	399	340	59	17.4	978
393	127	Student loans	123	144	(21)	(14.6)	447
50	11	Dividends	10	15	(5)	(33.3)	58
		Gains/(losses) on marketable securities					
304	(174)	deposits and equity investments	219	43	176	409.3	328
26	-	Other	5	23	(18)	(78.3)	20
1,859	267	Total Investment Income	756	565	191	33.8	1,831

NOTE 4: Other Revenue

Other Revenue							
		Unrealised gains arising from changes					
(20)	-	in the value of commercial forests	-	-	-	-	-
130	34	GSF contributions	33	19	14	73.7	103
44	16	Petroleum royalties	14	10	4	40.0	30
31	11	Cost recovery income from fisheries	-	11	(11)	(100.0)	33
2,050	450	Other	525	526	(1)	(0.2)	1,515
2,235	511	Total Other Operational Revenue	572	566	6	1.1	1,681

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 5: Subsidies and Transfer Payments							
		Social Assistance Grants					
5,642	1,877	New Zealand superannuation	1,961	1,960	(1)	(0.1)	5,894
1,309	541	ACC payments	477	450	(27)	(6.0)	1,383
1,520	506	Domestic purposes benefit	522	522	-	-	1,567
1,274	430	Unemployment benefit	391	411	20	4.9	1,317
862	277	Family support	300	262	(38)	(14.5)	815
387	169	Student allowances	164	177	13	7.3	433
3,742	1,231	Other social assistance grants	1,288	1,288	-	-	3,965
113	43	Subsidies	35	40	5	12.5	135
		Other Transfer Payments					
230	63	Official development assistance	67	94	27	28.7	246
28	6	Other	6	13	7	53.8	32
15,107	5,143	Total Subsidies and Transfer Payments	5,211	5,217	6	0.1	15,787

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.

978	257	GSF pension costs	355	359	4	1.1	1,010
78	15	Other pension expenses	28	14	(14)	(100.0)	81
10,564	3,541	Other personnel expenses	3,723	3,690	(33)	(0.9)	11,008
11,620	3,813	Total Personnel Expenses	4,106	4,063	(43)	(1.1)	12,099

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:					
701	196	Buildings	239	248	9	3.6	550
86	29	Electricity distribution networks	39	37	(2)	(5.4)	110
143	47	Electricity generation assets	47	53	6	11.3	155
168	55	Specialist military equipment (SME)	59	60	1	1.7	178
199	63	State highways	70	74	4	5.4	223
105	48	Aircraft (excluding SME)	63	63	-	-	84
676	187	Other plant and equipment	207	200	(7)	(3.5)	762
99	48	Other assets	33	47	14	29.8	278
2,177	673	Total depreciation costs	757	782	25	3.2	2,340
		Other operating expenses:					
712	260	Rental and leasing costs	228	224	(4)	(1.8)	797
67	36	Change in provision for doubtful debts	62	43	(19)	(44.2)	338
188	20	Write off of bad debts	29	23	(6)	(26.1)	41
84	32	Goodwill amortised	16	16	-	-	47
306	83	Grants paid	82	83	1	1.2	293
301	96	Lottery prize payments	119	97	(22)	(22.7)	313
19	8	Loss/(gain) on sale of assets	-	-	-	-	-
18,711	5,343	Other operating expenses	5,961	6,504	543	8.3	18,719
22,565	6,551	Total Operating Expenses	7,254	7,772	518	6.7	22,888

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m %		\$m

NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments

By category:

2,732	2,425	Total cash	2,928	2,557	371	14.5	2,073
15,505	15,065	Marketable securities and deposits	17,748	17,893	(145)	(0.8)	13,632
4,734	3,577	Equity investments (eg, shares)	5,383	4,670	713	15.3	4,747
1,067	1,030	Reserve position at the IMF	1,248	968	280	28.9	1,074
21,306	19,672	Total MSDs and Equity Investments	24,379	23,531	848	3.6	19,453
24,038	22,097	Cash and MSDs & Equity Investments	27,307	26,088	1,219	4.7	21,526
By portfolio management:							
11,348	12,183	Reserve Bank and DMO managed funds	16,083	13,382	2,701	20.2	7,506
1,884	1,046	NZS Fund	-	2,541	(2,541)	(100.0)	3,950
2,636	2,327	Government Superannuation Fund	2,822	2,772	50	1.8	2,727
1,224	966	EQC portfolio	1,504	1,463	41	2.8	1,384
3,403	2,428	ACC portfolio	3,321	2,573	748	29.1	2,829
811	722	Other holdings	649	800	(151)	(18.9)	1,057
21,306	19,672	Total MSDs & Equity Investments	24,379	23,531	848	3.6	19,453

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 \$2,541m, which have been invested in New Zealand Treasury Bills, and is therefore fully eliminated from the Statement of Financial Position as it is an internal Government holding. 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 \$3.2b. 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 of around \$9.3b. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 15 Outstanding Claims Liability.

Individual portfolio information (including cross holdings of NZ Government Stock)

1,884	1,046	NZS Fund	2,541	2,541	-	-	3,950
3,182	3,168	GSF net assets (including portfolio)	3,247	3,195	52	1.6	3,026
4,922	3,916	ACC portfolio	4,893	4,529	364	8.0	4,981
4,062	3,948	EQC portfolio	4,169	4,063	106	2.6	4,303

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m %		\$m
NOTE 9: Advances							
5,370	4,931	Student loans (see analysis below)	5,579	5,554	25	0.5	5,926
501	-	Kiwibank mortgages	685	685	-	-	857
68	66	Residential care loans	72	72	-	-	80
-	-	Contact Energy Limited	-	-	-	-	-
43	45	Maori development rural lending	44	46	(2)	(4.3)	45
28	30	Forestry encouragement loans	27	28	(1)	(3.6)	29
6	7	Catchment authorities	5	5	-	-	6
284	238	Other	312	316	(4)	(1.3)	279
6,300	5,317	Total Advances	6,724	6,706	18	0.3	7,222
Analysis of Student Loans							
Outstanding balance							
6,094	5,602	Total loans outstanding (including interest)	6,337	6,419	(82)	(1.3)	6,942
(724)	(671)	Total provisions (capital and interest)	(758)	(865)	107	12.4	(1,016)
5,370	4,931	Total Student Loans	5,579	5,554	25	0.5	5,926
Movement during the year							
4,749	4,749	Opening balance	5,370	5,370	-	-	5,322
952	230	Amount advanced in current year	254	246	8	3.3	996
393	127	Interest accrued on outstanding loan balance:	143	144	(1)	(0.7)	447
(252)	(80)	Repayment of base capital	(89)	(97)	8	8.2	(301)
(186)	(54)	Repayment of accrued interest	(61)	(57)	(4)	(7.0)	(189)
(291)	(42)	Interest written off and movement in provision for interest write-offs and doubtful debts	(39)	(53)	14	26.4	(357)
5	1	Other movements	1	1	-	-	8
5,370	4,931	Closing Balance	5,579	5,554	25	0.5	5,926
NOTE 10: Receivables							
5,375	4,841	Taxes receivable	5,270	5,901	(631)	(10.7)	4,533
4,262	3,011	Accounts receivable	3,785	3,334	451	13.5	3,453
200	264	Receivable from the sale and purchase of Maui gas	202	198	4	2.0	166
306	503	Prepayments	519	436	83	19.0	173
10,143	8,619	Total Receivables	9,776	9,869	(93)	(0.9)	8,325
NOTE 11: Other Investments							
89	106	International Bank for Reconstruction and Developments	89	89	-	-	99
92	104	Asian Development Bank	92	92	-	-	96
83	77	Other	85	61	24	39.3	201
264	287	Total Other Investments	266	242	24	9.9	396

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 12: Property, Plant and Equipment							
By Type							
Gross Carrying Value							
6,748	7,108	Land (valuation)	6,218	6,233	(15)	(0.2)	5,824
454	475	Properties intended for sale (valuation)	445	445	-	-	423
19,092	16,859	Buildings (valuation)	19,344	19,399	(55)	(0.3)	19,756
2,178	2,130	Electricity distribution network (valuation)	2,149	2,173	(24)	(1.1)	2,370
1,253	1,183	Electricity generation assets (cost)	1,259	1,272	(13)	(1.0)	2,067
1,234	1,711	Aircraft (ex SME) (valuation)	1,278	1,293	(15)	(1.2)	2,024
12,556	12,052	State highways (valuation)	12,603	12,607	(4)	-	12,466
3,098	2,792	Specialist military equipment (valuation)	2,664	2,674	(10)	(0.4)	3,576
8,584	6,888	Other plant and equipment (cost)	8,323	8,348	(25)	(0.3)	9,285
5,331	6,002	Other assets (valuation)	5,658	5,674	(16)	(0.3)	5,365
60,528	57,200	Total Gross Carrying Value	59,941	60,118	(177)	(0.3)	63,156
Accumulated Depreciation							
1,503	1,556	Buildings	1,789	1,793	4	0.2	3,040
198	164	Electricity distribution network	183	188	5	2.7	326
174	134	Electricity generation assets	192	176	(16)	(9.1)	227
-	49	Aircraft (ex SME)	46	46	-	-	170
-	63	State highways	70	74	4	5.4	432
756	643	Specialist military equipment	366	371	5	1.3	934
4,776	3,804	Other plant and equipment	4,711	4,716	5	0.1	5,282
454	1,308	Other assets	583	587	4	0.7	640
7,861	7,721	Total Accumulated Depreciation	7,940	7,951	11	0.1	11,051
Net Carrying Value							
6,748	7,108	Land (valuation)	6,218	6,233	(15)	(0.2)	5,824
454	475	Properties intended for sale (valuation)	445	445	-	-	423
17,589	15,303	Buildings (valuation)	17,555	17,606	(51)	(0.3)	16,716
1,980	1,966	Electricity distribution network (valuation)	1,966	1,985	(19)	(1.0)	2,044
1,079	1,049	Electricity generation assets (cost)	1,067	1,096	(29)	(2.6)	1,840
1,234	1,662	Aircraft (ex SME) (valuation)	1,232	1,247	(15)	(1.2)	1,854
12,556	11,989	State highways (valuation)	12,533	12,533	-	-	12,034
2,342	2,149	Specialist military equipment (valuation)	2,298	2,303	(5)	(0.2)	2,642
3,808	3,084	Other plant and equipment (cost)	3,612	3,632	(20)	(0.6)	4,003
4,877	4,694	Other assets (valuation)	5,075	5,087	(12)	(0.2)	4,725
52,667	49,479	Total Net Carrying Value	52,001	52,167	(166)	(0.3)	52,105
By holding							
52,167	49,045	Freehold assets	51,565	51,696	(131)	(0.3)	51,383
500	434	Leasehold assets	436	471	(35)	(7.4)	722
52,667	49,479	Total Net Carrying Value	52,001	52,167	(166)	(0.3)	52,105
NOTE 13: Payables and Provisions							
7,054	5,355	Accounts payable and accruals	5,636	7,253	1,617	22.3	5,754
2,154	2,040	Taxes repayable	2,039	1,927	(112)	(5.8)	1,919
588	586	Provisions	568	245	(323)	(131.8)	242
		National Provident Fund					
882	685	guarantee	882	882	-	-	685
		Provision for employee					
1,200	1,196	entitlements	1,160	1,069	(91)	(8.5)	1,144
11,878	9,862	Total Payables and Provisions	10,285	11,376	1,091	9.6	9,744

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 30 June 2003 year end Crown financial statements. 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 2003 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% (4.9% at 30 June 2002). The other principal long-term financial assumptions used in the calculation remain unchanged, which were an inflation rate of 2.0% and an annual salary increases rate, before any promotional effects of 3.0%.

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.

Regular revaluations occur as part of Crown forecasting processes for the December and Budget Economic and Fiscal Updates. Within the monthly Crown financial statements the projected liability will be assumed to be static. 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 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
GSF liability and asset information							
Gross GSF liability							
12,210	12,210	Opening gross liability	13,857	13,857	-	-	13,422
1,647	-	Net projected change	-	-	-	-	(87)
13,857	12,210	Closing gross liability	13,857	13,857	-	-	13,335
Less net assets available to the GSF scheme							
3,287	3,287	Opening asset value	3,182	3,182	-	-	2,993
82	(76)	Net projected change:	109	43	66	153.5	-
		- Investment valuation changes					
		- Contributions and other income less					
(187)	(43)	membership payments	(44)	(30)	(14)	(46.7)	33
(105)	(119)	Total projected change	65	13	52	400.0	33
3,182	3,168	Closing net asset values	3,247	3,195	52	1.6	3,026
Net unfunded liability of the GSF schemes							
8,923	8,923	Opening unfunded liability	10,675	10,675	-	-	10,429
1,752	119	Net projected change	(65)	(13)	52	400.0	(120)
10,675	9,042	Net unfunded liability	10,610	10,662	52	0.5	10,309

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: ACC Outstanding Claims Liability

Calculation information

Trowbridge Deloitte Limited, Consulting Actuaries, have prepared the independent actuarial estimate of the ACC outstanding claims liability as at 30 June 2003 (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 2.3% (2.0% at 30 June 2002) and discount rate of 5.5% (6.8% at 30 June 2002). 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.

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 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
ACC liability and asset information							
Gross ACC liability							
7,501	7,501	Opening gross liability	9,155	9,155	-	-	8,701
1,654	101	Net projected change	165	166	1	0.6	499
9,155	7,602	Closing gross liability	9,320	9,321	(1)	-	9,200
Less net assets available to ACC							
3,865	3,865	Opening net asset value	4,901	4,901	-	-	4,527
1,036	44	Net projected change	309	336	(27)	(8.0)	766
4,901	3,909	Closing net asset values	5,210	5,237	(27)	(0.5)	5,293
Net ACC reserves (net liability)							
(3,636)	(3,636)	Opening reserves position	(4,254)	(4,254)	-	-	(4,174)
(618)	57	Net projected change	144	170	26	15.3	267
(4,254)	(3,579)	Closing reserves position (net liability)	(4,110)	(4,084)	26	0.6	(3,907)

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance		
					\$m	%	
NOTE 16: Revaluation Reserves							
<i>Movement in Asset Revaluation Reserves</i>							
12,672	12,672	Opening Balance	15,624	15,624	-	-	12,786
Net Revaluations							
2,078	68	Land and buildings	18	-	18	-	-
444	-	State highways	-	-	-	-	-
275	-	TEIs	-	-	-	-	-
198	-	Other assets	29	-	29	-	-
2,995	68	Total Net Revaluations	47	-	47	-	-
(43)	-	Transfers to taxpayer funds	(8)	-	(8)	-	-
15,624	12,740	Closing Asset Revaluation Reserve	15,663	15,624	39	0.2	12,786

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 October 2002 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds							
This statement outlines the Core Crown Bonds reconciliation. Government stock balances and flows between the NZDMO, NZS Fund and the GSF are not eliminated. This presents the complete activity of the NZDMO bond programme.							
Core Crown Cash Flows from Operations							
39,842	12,749	Total tax receipts	13,632	13,018	614	4.7	41,056
399	141	Total other sovereign receipts	151	143	8	5.6	384
1,310	394	Interest, profits and dividends	489	335	154	46.0	953
1,185	481	Sale of goods & services and other receipts	453	530	(77)	(14.5)	1,119
(14,071)	(4,910)	Subsidies and transfer payments	(4,657)	(4,885)	228	4.7	(14,510)
(21,703)	(7,476)	Personnel and operating costs	(8,342)	(8,173)	(169)	(2.1)	(23,297)
(2,106)	(722)	Finance costs	(733)	(651)	(82)	(12.6)	(2,058)
-	-	Forecasts for future new spending	-	-	-	-	(175)
4,856	657	Net Cash Flows From Operations	993	317	676	213.2	3,472
Investing flows							
<i>Net advances</i>							
(698)	(152)	Student loans	(165)	(148)	(17)	(11.5)	-
(107)	(8)	Housing New Zealand Corporation	(38)	(23)	(15)	(65.2)	-
(114)	4	District health boards and RHMU	1	-	1	-	-
(44)	-	Tranz Rail New Zealand Limited	-	-	-	-	-
48	48	Contact Energy Limited	-	-	-	-	-
19	6	Other	15	6	9	150.0	(1,619)
(896)	(102)	Total Net Advances	(187)	(165)	(22)	(13.3)	(1,619)
(1,059)	(335)	Net purchase of physical assets	(454)	(491)	37	7.5	(1,285)
<i>Net investments</i>							
(275)	(92)	District health boards	(23)	(55)	32	58.2	-
(69)	(5)	Housing New Zealand Corporation	(12)	(74)	62	83.8	-
(140)	(44)	Other	(27)	(52)	25	48.1	(659)
(1,200)	(415)	Net purchase of MSDs/equities by NZS Fund	(616)	(616)	-	-	(1,879)
-	-	Capital contingency provision	-	-	-	-	(180)
(1,684)	(556)	Net (purchase)/sale of Investments	(678)	(797)	119	14.9	(2,718)
1,217	(336)	(Required to be financed)/Available for debt repayment	(326)	(1,136)	810	71.3	(2,150)
<i>Used in:</i>							
(1,944)	(1,219)	Other net (purchase)/sale of marketable securities and deposits	(1,425)	849	(2,274)	(267.8)	2,483
(727)	(1,555)	Total Investing activities	(1,751)	(287)	(1,464)	-	333
(417)	84	Net issue/(repayment) of other New Zealand-dollar borrowing	269	(588)	857	145.7	(238)
1,658	401	Net issue/(repayment) of foreign currency borrowing	509	(89)	598	-	-
69	(49)	Net outflows/(inflow) of cash	(313)	50	(363)	-	16
147	163	Issues of circulating currency	137	-	137	-	(105)
1,457	599		602	(627)	1,229	196.0	(327)
730	(956)	Net Repayment of/(Cash Proceeds from) Domestic Bonds	(1,149)	(914)	(235)	(25.7)	6
Gross Cash Proceeds from Domestic Bonds							
2,551	1,010	Domestic bonds (market)	1,116	1,110	6	0.5	3,234
279	-	Domestic bonds (non-market)	33	-	33	-	357
2,830	1,010	Total Gross Cash Proceeds from Domestic Bonds	1,149	1,110	39	3.5	3,591
(2,823)	-	Repayment of domestic bonds (market)	-	-	-	-	(3,044)
(737)	(54)	Repayment of domestic bonds (non-market)	-	(196)	196	100.0	(553)
(730)	956	Net (Repayments of)/Cash Proceeds from Domestic Bonds	1,149	914	235	25.7	(6)