

Financial Statements of the Government of New Zealand

for the Six Months
ended 31 December 2000



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Note: As a result of recent minor changes to the Public Finance Act, the six monthly financial statements are no longer required to be tabled in Parliament. However, the six monthly financial statements differ from other months in that they contain a full written breakdown of contingent liabilities.



COMMENTARY

OVERVIEW — SIX MONTHS TO DECEMBER 2000

| | December 2000 Actual YTD | December 2000 Forecast YTD | Variance \$m | June 2001 Forecast | June 2000 Actual |
|-------------------|--------------------------------|----------------------------------|-----------------|-----------------------|---------------------|
| Operating balance | 1,532 | 1,135 | 397 | 765 | 1,449 |
| Net worth | 10,069 | 9,720 | 349 | 9,350 | 8,583 |
| Net Crown debt | 21,665 | 22,690 | 1,025 | 22,099 | 21,396 |

The **operating balance** for December was \$1,532 million, which was \$397 million ahead of the December Economic and Fiscal Update (DEFU) forecast. This was due to:

- revenue being \$374 million above forecast;
- expenses being \$7 million below forecast; and
- SOE/CE surplus being \$16 million above forecast.

Within total revenue **tax revenue** was above forecast by \$252 million. This variance was largely due to higher than forecast:

- companies tax (\$254 million)
- net other persons tax (\$91 million)
- customs duty (\$37 million); and
- non residents withholding tax (\$30 million).

This was partly offset by lower-than-forecast:

- source deductions (\$95 million); and
- goods and services tax (\$90 million).

Other Revenue was \$122 million ahead of forecast, mainly due to gains on marketable securities and deposits of \$56 million (which are not forecast as a matter of policy).

The improvement in **net worth** against forecast of \$349 million was due to the higher than forecast operating balance, partially offset by some devaluations of physical assets.

Net Crown debt (Gross debt less financial assets) was \$1,025 million lower than forecast largely due to:

- higher-than forecast net cashflows from operations (\$509 million);
- issues of circulating currency (\$462 million) which are not forecast as a matter of policy; and
- lower-than-forecast purchases of physical assets (\$150 million) reflecting delays in capital projects.

Net Crown debt was estimated to be 20.6% of GDP at 31 December, compared to a forecast of 21.6%.

COMPARISON WITH FORECAST

Financial Performance

The financial statements for the six months ended 31 December 2000 are compared against forecasts based on the 2000 December Economic and Fiscal Update (DEFU). The operating balance comprised:

| Operating Balance | Actual \$million | Forecast \$million | Variance \$million |
|--------------------------|---------------------|-----------------------|-----------------------|
| Revenue | 19,782 | 19,408 | 374 |
| Expenses | 18,484 | 18,491 | 7 |
| SOEs and Crown entities | 234 | 218 | 16 |
| Operating balance | 1,532 | 1,135 | 397 |

Revenue

Overall revenue was \$374 million ahead of forecast.

Tax Revenue

The components of the year-to-date variance of \$252 million against the DEFU forecast were:

| Variations Against Forecast | \$million |
|--------------------------------|------------|
| Net Companies | 254 |
| Source Deductions | (95) |
| Net other persons | 91 |
| Goods and Services | (90) |
| Customs Duty | 37 |
| Non residents withholding tax | 30 |
| Other | 25 |
| Total Taxation Variance | 252 |

- **Net companies tax** was higher-than-forecast by \$254 million partly due to some companies filing provisional tax returns earlier than expected. Some of this positive variance is likely to reverse out in the coming months.
- **Source Deductions** were lower-than-forecast by \$95 million which is within the normal forecasting error range for a tax type of this size.
- **Other Persons tax** was \$91 million above forecast. Similar to Companies tax much of this tax came from earlier than expected provisional tax assessments and is also likely to reverse out in the coming months.
- **Goods and Services tax** was below forecast by \$90 million due partially to the value of the New Zealand dollar strengthening exports and

dampening domestic spending. A strengthening dollar and growth in the Goods and Services tax receipts indicate that the revenue is likely to pick up in the coming months.

- **Customs duty** was higher-than-forecast by \$37 million mainly due to a higher contribution from imported fuel.

Non-tax Revenue

Other non-tax revenue was \$122 million above forecast. Investment income was higher than forecast (\$84 million), largely due to gains on marketable securities and deposits (\$56 million) which are not forecast as a matter of policy, and interest income on investments (\$18 million).

Fees fines and levies were \$18 million higher than forecast due entirely to increased child support collections.

Expenses

Total expenses for the period were \$7 million lower than forecast.

Core government services was above forecast by \$55 million, due to a revaluation of the National Provident Fund Guarantee which was not forecast as a matter of policy.

This was offset by favourable variances across various functional classifications, which were due to timing differences and are expected to reverse in the coming months.

State-Owned Enterprises (SOEs) and Crown Entities

The SOEs and Crown entities net surplus less distributions was as follows:

| SOEs and Crown Entities | Actual \$million | Forecast \$million | Variance |
|-------------------------|------------------|--------------------|-----------|
| SOEs | | | |
| Surplus | 226 | 186 | 40 |
| Distributions | (132) | (130) | (2) |
| | 94 | 56 | 38 |
| Crown Entities | | | |
| Surplus | 153 | 165 | (12) |
| Distributions | (13) | (3) | (10) |
| | 140 | 162 | (22) |
| Net Surplus | 234 | 218 | 16 |

The SOEs and Crown entities net surplus was ahead of forecast by \$16 million.

Net Cash Flows

Net cash flows for the six months ended 31 December 2000 were as follows:

| Net Cash Flows | Actual | Forecast | Variance | |
|--|----------------|----------------|--------------|-------------|
| | \$million | \$million | \$million | % |
| Operating activities | (574) | (1,083) | 509 | 47.0 |
| Investing activities (excluding net sales/(purchases) of marketable securities and deposits) | (580) | (764) | 184 | 24.1 |
| Amount required to be financed | (1,154) | (1,847) | 693 | 37.5 |
| Net (purchases)/sales of marketable securities and Deposits | (1,439) | (689) | (750) | (108.9) |
| Financing activities | 2,454 | 2,523 | (69) | (2.7) |
| Net Movement in Cash | (139) | (13) | (126) | - |

Net cashflows from operating activities were above forecast by \$509 million largely due to higher-than-forecast taxation receipts (\$407 million) and lower-than-forecast cash disbursed for operations of \$88 million.

The favourable taxation receipt variance mainly comprised of:

- Companies tax being \$181 million higher than forecast reflecting the cash flow impact of the higher than forecast revenue; and
- Excise duties being \$179 million higher than forecast due to a large payment of tobacco excise in December. This resulted from increased November production due to changes in some of the organisational structures in the tobacco industry. This variance is expected to reverse in the coming months.

Net cash outflows from investing activities (excluding net sales/(purchases) of marketable securities and deposits) had a positive variance against forecast of \$184 million due primarily to lower-than-forecast purchases of physical assets (\$150 million).

As a result, the **amount required to be financed** was \$693 million lower than forecast.

Financial Position

The Statement of Financial Position recording the Crown's assets, liabilities and net worth as at 31 December 2000 was made up of:

| Financial Position | Actual \$million | Forecast \$million | Variance | |
|----------------------------------|---------------------|-----------------------|--------------|--------------|
| | | | \$million | % |
| SOEs and Crown entities | 14,598 | 14,717 | (119) | (0.8) |
| Physical assets | 16,118 | 16,258 | (140) | (0.9) |
| Financial assets | 16,312 | 16,439 | (127) | (0.8) |
| Other assets | 17,163 | 16,891 | 272 | 1.6 |
| Total Assets | 64,191 | 64,305 | (114) | (0.2) |
| Gross debt | 37,977 | 39,129 | 1,152 | 2.9 |
| Pension liabilities | 8,323 | 8,323 | - | - |
| Other liabilities | 7,822 | 7,133 | 689 | 9.7 |
| Total Liabilities | 54,122 | 54,585 | 463 | 0.8 |
| Crown Balance (net worth) | 10,069 | 9,720 | 349 | 3.6 |

Net Crown debt was \$1,025 million lower than forecast. This was largely due to:

- higher than forecast cash flows from operations of \$509 million reflecting the cash impacts of the improved operating balance
- issues of circulating currency (\$462 million), a large portion was to cover the demand for additional currency over the Christmas period, that as a matter of policy are set at the level of currency issues when the forecasts were finalised (27 November 2000); and
- lower-than-forecast net purchases of physical assets of \$150 million.

Other liabilities is \$689 million higher than forecast due mainly to additional issues of circulating currency since the forecasts were finalised of \$462 million.

| | Actual \$m | Forecast \$m | Variance \$m |
|------------------------------------|---------------|-----------------|-----------------|
| Net Crown Debt | | | |
| Gross Borrowings | 37,977 | 39,129 | 1,152 |
| Less | | | |
| Marketable securities/ deposits | 12,133 | 12,150 | (17) |
| Advances and cash | 4,179 | 4,289 | (110) |
| Financial Assets | 16,312 | 16,439 | (127) |
| Net Crown Debt | 21,665 | 22,690 | 1,025 |
| Net Crown Debt to GDP Ratio | 20.6% | 21.6% | 1.0% |

Net Crown debt was estimated to be 20.6% of GDP at 31 December, compared to a forecast of 21.6%. This ratio is calculated using the actual nominal GDP number to June 2000.

COMPARISON WITH PREVIOUS YEAR

| | December YTD | | | | Year Ended 30 June | | | |
|-------------------------------------|----------------|----------------|--------------|--------------|--------------------|----------------|----------------|----------------|
| | 2000/01 \$m | 1999/00 \$m | \$m | % | 1999/00 \$m | 1998/99 \$m | 1997/98 \$m | 1996/97 \$m |
| Operating Statement | | | | | | | | |
| Total taxation revenue | 18,455 | 17,059 | 1,396 | 8.2 | 34,035 | 32,156 | 32,982 | 31,916 |
| % of GDP | 17.6% | 17.0% | | | 32.4% | 32.5% | 33.6% | 33.5% |
| Total non tax revenue | 1,327 | 1,377 | (50) | (3.6) | 2,491 | 4,201 | 2,599 | 2,862 |
| Total Revenue | 19,782 | 18,436 | 1,346 | 7.3 | 36,526 | 36,357 | 35,581 | 34,778 |
| % of GDP | 18.8% | 18.3% | | | 34.8% | 36.7% | 36.2% | 36.6% |
| Social security and welfare | 6,591 | 6,441 | (150) | (2.3) | 12,896 | 12,906 | 12,509 | 11,881 |
| GSF pension expenses | 333 | 315 | (18) | (5.7) | 478 | 1,132 | 494 | 739 |
| Health | 3,624 | 3,409 | (215) | (6.3) | 6,874 | 6,573 | 6,001 | 5,626 |
| Education | 3,286 | 3,056 | (230) | (7.5) | 6,310 | 5,899 | 5,714 | 5,335 |
| Core government services | 675 | 816 | 141 | 17.3 | 1,710 | 1,705 | 1,562 | 1,667 |
| Other | 2,713 | 2,517 | (196) | (7.8) | 5,592 | 5,141 | 5,114 | 4,621 |
| Finance costs | 1,274 | 1,188 | (86) | (7.2) | 2,373 | 2,516 | 2,804 | 3,072 |
| Net foreign exchange (gains) losses | (12) | (22) | (10) | 45.5 | (62) | (47) | 13 | 12 |
| Total Expenses | 18,484 | 17,720 | (764) | (4.3) | 36,171 | 35,825 | 34,211 | 32,953 |
| % of GDP | 17.6% | 17.6% | | | 34.4% | 36.2% | 34.8% | 34.6% |
| SOE/Crown entities net surplus | 234 | 141 | 93 | 66.0 | 575 | 1,245 | 1,164 | 83 |
| ACC Valuation movement | - | - | - | - | 519 | - | - | - |
| Operating Balance | 1,532 | 857 | 675 | 78.8 | 1,449 | 1,777 | 2,534 | 1,908 |
| % of GDP | 1.5% | 0.9% | | | 1.4% | 1.8% | 2.6% | 2.0% |
| Financial Position | | | | | | | | |
| SOEs and Crown entities | 14,598 | 13,269 | 1,329 | 10.0 | 14,392 | 12,917 | 19,022 | 18,483 |
| Physical assets | 16,118 | 15,691 | 427 | 2.7 | 15,972 | 15,258 | 14,962 | 14,502 |
| Other assets | 33,475 | 31,535 | 1,940 | 6.2 | 30,059 | 30,048 | 28,372 | 24,983 |
| Total Assets | 64,191 | 60,495 | 3,696 | 6.1 | 60,423 | 58,223 | 62,356 | 57,968 |
| Total Liabilities | 54,122 | 53,213 | (909) | (1.7) | 51,840 | 52,201 | 52,435 | 50,498 |
| Crown Balance (net worth) | 10,069 | 7,282 | 2,787 | 38.3 | 8,583 | 6,022 | 9,921 | 7,470 |
| % of GDP | 9.6% | 7.2% | | | 8.2% | 6.1% | 10.1% | 7.9% |
| Net Crown debt | 21,665 | 22,513 | (848) | (3.8) | 21,396 | 21,701 | 24,069 | 25,324 |
| % of GDP | 20.6% | 22.4% | | | 20.4% | 21.9% | 24.5% | 26.6% |
| GDP | 105,036 | 100,589 | | | 105,036 | 99,059 | 98,291 | 95,150 |

Taxation revenue was \$1,396 million higher than in the six months ended December 1999, largely reflecting the increased tax rate for personal incomes over \$60,000, higher corporate profitability and higher GDP flowing through in various tax types.

Education expenses were \$230 million higher than last year. The increase in expenditure reflects demographic changes as well as new policy initiatives.

Health expenses were \$215 million higher than the previous year, due to providing new services and maintaining existing service levels as a result

of demographic, price inflation and technology growth pressures.

Other expenses were \$196 million higher than last year largely reflecting policy initiatives introduced in the 2000 Budget Update.

The investment in SOEs and Crown entities was \$1,329 million higher than the previous years primarily due to the reduction in the ACC outstanding claims liability valuation (\$519 million) and asset revaluations undertaken by Electricity SOE's at the end of the 1999/2000 financial year.

Net Crown debt has reduced primarily due to the improved cash flows from operations reported in the June 2000 Crown Financial Statements.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Note | Current Year Actual \$m | Current Year Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|---|------|----------------------------|------------------------------|-----------------|-------------|---------------------------|
| Revenue | | | | | | | | |
| Levied through the Crown's Sovereign Power | | | | | | | | |
| 21,499 | 10,934 | Direct taxation | 1 | 12,261 | 11,951 | 310 | 2.6 | 22,896 |
| 12,536 | 6,125 | Indirect taxation | 2 | 6,194 | 6,252 | (58) | (0.9) | 12,852 |
| 34,035 | 17,059 | Total taxation revenue | | 18,455 | 18,203 | 252 | 1.4 | 35,748 |
| 376 | 169 | Compulsory fees, fines, penalties and levies | | 176 | 158 | 18 | 11.4 | 353 |
| 34,411 | 17,228 | Total Revenue Levied through the Crown's Sovereign Power | | 18,631 | 18,361 | 270 | 1.5 | 36,101 |
| Earned through the Crown's Operations | | | | | | | | |
| 1,157 | 689 | Investment income | 3 | 628 | 544 | 84 | 15.4 | 1,073 |
| 641 | 327 | Sales of goods and services | | 324 | 313 | 11 | 3.5 | 647 |
| 343 | 192 | Other operational revenue | 4 | 199 | 190 | 9 | 4.7 | 332 |
| (26) | - | Unrealised (losses)/gains arising from revaluations of commercial forests | | - | - | - | - | - |
| 2,115 | 1,208 | Total Revenue Earned through the Crown's Operations | | 1,151 | 1,047 | 104 | 9.9 | 2,052 |
| 36,526 | 18,436 | Total Revenue | | 19,782 | 19,408 | 374 | 1.9 | 38,153 |
| Expenses | | | | | | | | |
| By functional classification | | | | | | | | |
| 12,896 | 6,441 | Social security and welfare | 5 | 6,591 | 6,602 | 11 | 0.2 | 13,264 |
| 478 | 315 | GSF pension expenses | | 333 | 344 | 11 | 3.2 | 924 |
| 6,874 | 3,409 | Health | | 3,624 | 3,640 | 16 | 0.4 | 7,288 |
| 6,310 | 3,056 | Education | | 3,286 | 3,283 | (3) | (0.1) | 6,774 |
| 1,710 | 816 | Core government services | | 675 | 620 | (55) | (8.9) | 1,540 |
| 1,531 | 739 | Law and order | | 781 | 779 | (2) | (0.3) | 1,557 |
| 1,247 | 602 | Defence | | 539 | 550 | 11 | 2.0 | 1,143 |
| 1,036 | 418 | Transport and communications | | 517 | 520 | 3 | 0.6 | 1,048 |
| 944 | 399 | Economic and industrial services | | 531 | 539 | 8 | 1.5 | 1,146 |
| 456 | 127 | Primary services | | 126 | 138 | 12 | 8.7 | 298 |
| 265 | 194 | Heritage, culture and recreation | | 176 | 195 | 19 | 9.7 | 444 |
| 68 | 18 | Housing and community development | | 19 | 20 | 1 | 5.0 | 56 |
| 45 | 20 | Other | | 24 | 25 | 1 | 4.0 | 85 |
| 2,373 | 1,188 | Finance costs | 5 | 1,274 | 1,279 | 5 | 0.4 | 2,527 |
| (62) | (22) | Net foreign-exchange (gains)/losses | | (12) | (43) | (31) | (72.1) | (43) |
| - | - | Provision for future initiatives | | - | - | - | - | 60 |
| 36,171 | 17,720 | Total Expenses | | 18,484 | 18,491 | 7 | - | 38,111 |
| 355 | 716 | Revenue Less Expenses | | 1,298 | 917 | 381 | 41.5 | 42 |
| 1,094 | 141 | Net surplus, less distributions, attributable to SOE's and Crown entities | 8 | 234 | 218 | 16 | 7.3 | 723 |
| 1,449 | 857 | | | 1,532 | 1,135 | 397 | 35.0 | 765 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Note | Current Year Actual vs Forecast | | | Annual Forecast | |
|---|---|--|------|---------------------------------|-----------------|-----------------|--------------------|---------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Assets | | | | | | | | |
| 210 | 18 | Cash and bank balances | | 61 | 201 | (140) | (69.7) | 93 |
| 10,440 | 11,142 | Marketable securities and deposits | | 12,133 | 12,150 | (17) | (0.1) | 11,279 |
| 3,995 | 3,734 | Advances | 6 | 4,118 | 4,088 | 30 | 0.7 | 4,768 |
| 5,520 | 6,825 | Receivables | 7 | 7,192 | 6,928 | 264 | 3.8 | 5,490 |
| 274 | 339 | Inventories | | 265 | 264 | 1 | 0.4 | 329 |
| State-owned enterprises and | | | | | | | | |
| 14,392 | 13,269 | Crown entities | 8 | 14,598 | 14,717 | (119) | (0.8) | 15,204 |
| 338 | 273 | Other investments | 9 | 371 | 364 | 7 | 1.9 | 341 |
| 15,972 | 15,691 | Physical assets | 10 | 16,118 | 16,258 | (140) | (0.9) | 16,476 |
| 369 | 393 | Commercial forests | | 370 | 370 | - | - | 370 |
| 8,911 | 8,808 | State highways | 11 | 8,963 | 8,963 | - | - | 9,015 |
| 2 | 3 | Intangible assets | | 2 | 2 | - | - | 2 |
| - | - | Capital contingency provision | | - | - | - | - | 300 |
| 60,423 | 60,495 | Total Assets | | 64,191 | 64,305 | (114) | (0.2) | 63,667 |
| Liabilities | | | | | | | | |
| 5,240 | 4,167 | Payables and provisions | 12 | 4,947 | 4,720 | (227) | (4.8) | 5,098 |
| 2,236 | 3,115 | Currency issued | | 2,875 | 2,413 | (462) | (19.1) | 2,413 |
| 36,041 | 37,407 | Borrowings | | 37,977 | 39,129 | 1,152 | 2.9 | 38,239 |
| 8,323 | 8,524 | Pension liabilities | | 8,323 | 8,323 | - | - | 8,567 |
| 51,840 | 53,213 | Total Liabilities | | 54,122 | 54,585 | 463 | 0.8 | 54,317 |
| 8,583 | 7,282 | Total Assets Less Total Liabilities | | 10,069 | 9,720 | 349 | 3.6 | 9,350 |
| Crown Balance | | | | | | | | |
| 382 | (300) | Accumulated operating balance | | 1,922 | 1,530 | 392 | 25.6 | 1,160 |
| 8,201 | 7,582 | Revaluation reserve | 13 | 8,147 | 8,190 | (43) | (0.5) | 8,190 |
| 8,583 | 7,282 | Crown Balance | | 10,069 | 9,720 | 349 | 3.6 | 9,350 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF MOVEMENTS IN EQUITY

for the six months ended 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---|---------------------------------|-----------------|-----------------|-------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| 6,022 | 6,022 | Opening Crown Balance | 8,583 | 8,583 | - | - | 8,583 |
| 1,449 | 857 | Operating balance for the period | 1,532 | 1,135 | 397 | 35.0 | 765 |
| 1,112 | 403 | Net revaluations | (46) | 2 | (48) | - | 2 |
| 2,561 | 1,260 | Total Recognised Revenues and Expenses | 1,486 | 1,137 | 349 | 30.7 | 767 |
| 8,583 | 7,282 | Closing Crown Balance | 10,069 | 9,720 | 349 | 31 | 9,350 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS

for the six months ended 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Cash Flows From Operations | | | | | | | |
| Cash was provided from | | | | | | | |
| Direct Taxation | | | | | | | |
| Individuals | | | | | | | |
| 12,920 | 6,293 | Source deductions | 6,709 | 6,727 | (18) | (0.3) | 13,575 |
| 3,553 | 1,718 | Other persons | 1,877 | 1,876 | 1 | 0.1 | 4,001 |
| (1,043) | (646) | Refunds | (689) | (709) | 20 | 2.8 | (1,200) |
| 306 | 152 | Fringe benefit tax | 190 | 188 | 2 | 1.1 | 291 |
| 15,736 | 7,517 | Total Individuals | 8,087 | 8,082 | 5 | 0.1 | 16,667 |
| Companies | | | | | | | |
| 4,726 | 2,306 | Gross companies | 2,791 | 2,585 | 206 | 8.0 | 5,147 |
| (618) | (312) | Refunds | (349) | (324) | (25) | (7.7) | (617) |
| 4,108 | 1,994 | Total Companies | 2,442 | 2,261 | 181 | 8.0 | 4,530 |
| 1,566 | 716 | Withholding taxes | 765 | 778 | (13) | (1.7) | 1,692 |
| 1 | 1 | Other direct taxation | 1 | 1 | - | - | 2 |
| 21,411 | 10,228 | Total Direct Taxation | 11,295 | 11,122 | 173 | 1.6 | 22,891 |
| Indirect Taxation | | | | | | | |
| Goods and services tax | | | | | | | |
| 13,664 | 5,883 | Gross goods and services tax | 6,408 | 6,326 | 82 | 1.3 | 14,336 |
| (4,852) | (2,342) | Refunds | (2,643) | (2,605) | (38) | (1.5) | (5,292) |
| 8,812 | 3,541 | Total goods and services tax | 3,765 | 3,721 | 44 | 1.2 | 9,044 |
| 2,014 | 1,057 | Excise duties | 1,108 | 929 | 179 | 19.3 | 1,938 |
| 1,627 | 795 | Other indirect taxation | 859 | 848 | 11 | 1.3 | 1,756 |
| 12,453 | 5,393 | Total Indirect Taxation | 5,732 | 5,498 | 234 | 4.3 | 12,738 |
| 33,864 | 15,621 | Total Taxation Receipts | 17,027 | 16,620 | 407 | 2.4 | 35,629 |
| 308 | 150 | Compulsory fees, fines, penalties and levies | 153 | 160 | (7) | (4.4) | 351 |
| Other Receipts | | | | | | | |
| 1,070 | 567 | Interest, profits and dividends | 390 | 400 | (10) | (2.5) | 835 |
| 621 | 323 | Sales of goods and services | 341 | 318 | 23 | 7.2 | 623 |
| 341 | 155 | Other operating receipts | 180 | 172 | 8 | 4.7 | 265 |
| 2,032 | 1,045 | Total Other Receipts | 911 | 890 | 21 | 2.4 | 1,723 |
| 36,204 | 16,816 | Total cash provided from operations | 18,091 | 17,670 | 421 | 2.4 | 37,703 |
| Cash was disbursed to | | | | | | | |
| 4,447 | 2,379 | Departmental outputs | 2,182 | 2,207 | 25 | 1.1 | 4,634 |
| 15,303 | 7,838 | Other outputs | 8,265 | 8,289 | 24 | 0.3 | 16,286 |
| 2,507 | 1,300 | Finance costs | 1,281 | 1,257 | (24) | (1.9) | 2,516 |
| 131 | 67 | Subsidies | 69 | 70 | 1 | 1.4 | 178 |
| Current transfers | | | | | | | |
| 12,615 | 6,652 | Social assistance grants | 6,765 | 6,819 | 54 | 0.8 | 13,043 |
| 238 | 101 | Other transfers | 103 | 111 | 8 | 7.2 | 252 |
| - | - | Provision for future initiatives | - | - | - | - | 60 |
| 35,241 | 18,337 | Total cash disbursed to operations | 18,665 | 18,753 | 88 | 0.5 | 36,969 |
| 963 | (1,521) | Net Cash Flows From Operations | (574) | (1,083) | 509 | 47.0 | 734 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---|---------------------------------|-----------------|-----------------|----------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| 963 | (1,521) | Subtotal (brought forward) | (574) | (1,083) | 509 | 47.0 | 734 |
| | | Cash Flows From Investing Activities | | | | | |
| | | Cash was provided from | | | | | |
| (130) | (153) | Net sale/(purchase) of investments | 55 | (36) | 91 | 252.8 | (55) |
| 1,983 | 478 | Net (purchase)/sale of marketable securities and deposits | (1,439) | (689) | (750) | (108.9) | 57 |
| 250 | 90 | Sale of physical assets | 37 | 60 | (23) | (38.3) | 125 |
| 2,103 | 415 | Total cash provided | (1,347) | (665) | (682) | (102.6) | 127 |
| | | Cash was disbursed to | | | | | |
| 309 | 4 | Net increase in advances | 139 | 82 | (57) | (69.5) | 680 |
| 1,160 | 600 | Purchase of physical assets | 533 | 706 | 173 | 24.5 | 1,479 |
| - | - | Capital contingency provision | - | - | - | - | 300 |
| 1,469 | 604 | Total cash disbursed | 672 | 788 | 116 | 14.7 | 2,459 |
| 634 | (189) | Net Cash Flows From Investing Activities | (2,019) | (1,453) | (566) | (39.0) | (2,332) |
| 1,597 | (1,710) | Net Cash Flows From Operating and Investing Activities | (2,593) | (2,536) | (57) | (2.2) | (1,598) |
| | | Cash Flows From Financing Activities | | | | | |
| | | Cash was Provided From | | | | | |
| 275 | 1,155 | Issues of circulating currency | 639 | 177 | 462 | 261.0 | 177 |
| 2,867 | 1,123 | Issues of Government stock | 1,431 | 1,263 | 168 | 13.3 | 660 |
| 453 | 914 | Other New Zealand-dollar borrowing ¹ | 233 | (1,117) | 1,350 | 120.9 | 514 |
| 1,683 | 604 | Borrowing in foreign currencies ¹ | 2,546 | 2,200 | 346 | 15.7 | 126 |
| 5,278 | 3,796 | Total Cash Provided | 4,849 | 2,523 | 2,326 | 92.2 | 1,477 |
| | | Cash was Disbursed to | | | | | |
| 3,305 | 330 | Repayment of Government stock | 165 | - | (165) | - | - |
| 1,280 | 625 | Repayment of other New Zealand-dollar borrowing ¹ | 496 | - | (496) | - | - |
| 2,318 | 1,345 | Repayment of foreign-currency borrowing ¹ | 1,734 | - | (1,734) | - | - |
| 6,903 | 2,300 | Total Cash Disbursed | 2,395 | - | (2,395) | - | - |
| (1,625) | 1,496 | Net Cash Flows From Financing Activities | 2,454 | 2,523 | (69) | (2.7) | 1,477 |
| (28) | (214) | Net Movement in Cash | (139) | (13) | (126) | - | (121) |
| 230 | 230 | Opening Cash Balance | 210 | 210 | - | - | 210 |
| 8 | 2 | Foreign-exchange gains/(losses) on opening cash | (10) | 4 | (14) | (350.0) | 4 |
| 210 | 18 | Closing Cash Balance | 61 | 201 | (140) | (69.7) | 93 |

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

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|--|---|---|---------------------------------|-----------------|-----------------|----------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Reconciliation Between the Operating Balance and Net Cash Flows from Operations | | | | | | | |
| 1,449 | 857 | Operating Balance | 1,532 | 1,135 | 397 | 35.0 | 765 |
| <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | | | |
| Valuation Changes | | | | | | | |
| 26 | - | Revaluation of commercial forests | - | - | - | - | - |
| (92) | (123) | Unrealised net foreign-exchange gains | (175) | (87) | (88) | (101) | (87) |
| (66) | (123) | Total Valuation Changes | (175) | (87) | (88) | (101.1) | (87) |
| Physical Asset Movements | | | | | | | |
| 791 | 387 | Depreciation | 404 | 420 | (16) | (3.8) | 872 |
| (7) | (1) | Loss/(gain) on sale of physical assets | 3 | 3 | - | - | 3 |
| 784 | 386 | Total Physical Asset Movements | 407 | 423 | (16) | (3.8) | 875 |
| Other Non-cash Items | | | | | | | |
| (1,094) | (141) | Net surplus, less distributions, attributable to state-owned enterprises and Crown entities | (234) | (218) | (16) | (7.3) | (723) |
| (14) | (14) | Gain on sale of Vehicle Testing New Zealand Limited | - | - | - | - | - |
| (201) | - | Movement in pension liabilities | - | - | - | - | 244 |
| 208 | (38) | Other | (40) | - | (40) | - | - |
| (1,101) | (193) | Total Other Non-cash Items | (274) | (218) | (56) | (25.7) | (479) |
| (36) | (52) | Total other investing and financing items | (3) | - | (3) | - | - |
| Movements in Working Capital | | | | | | | |
| (164) | (1,312) | (Increase)/decrease in taxes receivable | (1,615) | (1,591) | (24) | (1.5) | (201) |
| (168) | (263) | (Increase)/decrease in other receivables | (57) | 183 | (240) | (131.1) | 231 |
| 47 | (18) | Decrease/(increase) in inventories | 9 | 10 | (1) | (10.0) | (55) |
| 218 | (803) | (Decrease)/increase in payables | (398) | (938) | 540 | 57.6 | (315) |
| (67) | (2,396) | Total movements in working capital | (2,061) | (2,336) | 275 | 11.8 | (340) |
| 963 | (1,521) | Net Cash Flows from Operations | (574) | (1,083) | 509 | 47.0 | 734 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | Annual Forecast | |
|---|---|--|---------------------------------|-----------------|-----------------|--------------------|----------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Reconciliation of Net Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds | | | | | | | |
| 963 | (1,521) | Net Cash Flows From Operations | (574) | (1,083) | 509 | 47.0 | 734 |
| Investing flows | | | | | | | |
| <i>Net advances</i> | | | | | | | |
| 4 | - | Housing Corporation of New Zealand | (16) | - | (16) | - | - |
| 101 | 6 | Contact Energy Limited | - | - | - | - | - |
| (528) | (88) | Student loans | (151) | (112) | (39) | (34.8) | - |
| 47 | 37 | Residual Health Management Unit | - | - | - | - | - |
| (40) | (38) | Solid Energy New Zealand Limited | - | - | - | - | - |
| 107 | 79 | Other | 28 | 30 | (2) | (6.7) | (680) |
| (309) | (4) | Total Net Advances | (139) | (82) | (57) | (69.5) | (680) |
| (910) | (510) | Net purchase of physical assets | (496) | (646) | 150 | 23.2 | (1,354) |
| <i>Net investments</i> | | | | | | | |
| (46) | (25) | Hospital and health services | (17) | (60) | 43 | 71.7 | - |
| - | - | Capital Properties New Zealand Limited | 63 | 63 | - | - | - |
| (29) | (149) | At Work Insurance Limited | 50 | 50 | - | - | - |
| 19 | 19 | Vehicle Testing New Zealand Limited | - | - | - | - | - |
| (74) | 2 | Other | (41) | (89) | 48 | 53.9 | (55) |
| - | - | Capital Contingency Provision | - | - | - | - | (300) |
| (130) | (153) | Net sale/(purchase) of Investments | 55 | (36) | 91 | 252.8 | (355) |
| (386) | (2,188) | (Required to be financed)/ Available for debt repayment | (1,154) | (1,847) | 693 | 37.5 | (1,655) |
| <i>Used in:</i> | | | | | | | |
| Net (purchase)/sale of marketable securities and deposits | | | | | | | |
| 1,983 | 478 | | (1,439) | (689) | (750) | (108.9) | 57 |
| 1,597 | (1,710) | Total Investing activities | (2,593) | (2,536) | (57) | (2.2) | (1,598) |
| (827) | 289 | Net issue/(repayment) of other New Zealand-dollar borrowing | (263) | (1,117) | 854 | 76.5 | 126 |
| (635) | (741) | Net issue/(repayment) of foreign currency borrowing | 812 | 2,200 | (1,388) | (63.1) | 514 |
| 28 | 214 | (Increase)/decrease in cash | 139 | 13 | 126 | - | 121 |
| 275 | 1,155 | Issues of circulating currency | 639 | 177 | 462 | 261.0 | 177 |
| (1,159) | 917 | | 1,327 | 1,273 | 54 | 4.2 | 938 |
| 438 | (793) | Net (Cash Proceeds from)/Repayments of Domestic Bonds | (1,266) | (1,263) | (3) | (0.2) | (660) |
| Gross Cash Proceeds from Domestic Bonds | | | | | | | |
| 1,924 | 932 | Domestic bonds (market) | 1,306 | 1,292 | 14 | 1.1 | 3,529 |
| 598 | - | Domestic bonds (non-market) | 125 | 71 | 54 | 76.1 | 297 |
| 345 | 191 | Inflation bonds | - | - | - | - | - |
| 2,867 | 1,123 | Total Gross Cash Proceeds from Domestic Bonds | 1,431 | 1,363 | 68 | 5.0 | 3,826 |
| (3,011) | (330) | Repayment of domestic bonds (market) | (165) | (100) | (65) | (65.0) | (2,650) |
| (294) | - | Repayment of domestic bonds (non-market) | - | - | - | - | (516) |
| (438) | 793 | Net Cash Proceeds from/ (Repayments of) Domestic Bonds | 1,266 | 1,263 | 3 | 0.2 | 660 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF BORROWINGS

as at 31 December 2000

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|--|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Outstanding Debt | | | | | | | |
| New Zealand-Dollar Debt | | | | | | | |
| 22,239 | 23,487 | Government stock | 23,507 | 23,502 | (5) | - | 22,834 |
| 5,370 | 5,734 | Treasury bills | 5,425 | 5,458 | 33 | 0.6 | 5,885 |
| 230 | 985 | Loans and foreign-exchange contracts | (60) | 99 | 159 | 160.6 | (159) |
| 474 | 490 | Retail stock | 461 | 465 | 4 | 0.9 | 474 |
| 28,313 | 30,696 | Total New Zealand-Dollar Debt | 29,333 | 29,524 | 191 | 0.6 | 29,034 |
| Foreign-Currency Debt | | | | | | | |
| 4,329 | 3,096 | United States dollars | 4,455 | 5,326 | 871 | 16.4 | 4,153 |
| 2,054 | 2,375 | Japanese yen | 2,309 | 2,410 | 101 | 4.2 | 3,215 |
| 1,345 | 1,240 | European and other currencies | 1,880 | 1,869 | (11) | (0.6) | 1,837 |
| 7,728 | 6,711 | Total Foreign-Currency Debt | 8,644 | 9,605 | 961 | 10.0 | 9,205 |
| 36,041 | 37,407 | Total Outstanding Debt | 37,977 | 39,129 | 1,152 | 2.9 | 38,239 |
| Less | | | | | | | |
| Financial Assets | | | | | | | |
| Marketable Securities and Deposits | | | | | | | |
| 2,324 | 4,052 | New Zealand dollars | 3,122 | 2,293 | 829 | 36.2 | 1,816 |
| 4,467 | 3,453 | United States dollars | 4,379 | 4,904 | (525) | (10.7) | 4,360 |
| 2,277 | 2,378 | Japanese yen | 2,444 | 2,889 | (445) | (15.4) | 3,217 |
| 1,372 | 1,259 | European and other currencies | 2,188 | 2,064 | 124 | 6.0 | 1,886 |
| 10,440 | 11,142 | Total Marketable Securities and Deposits | 12,133 | 12,150 | (17) | (0.1) | 11,279 |
| Advances and Cash | | | | | | | |
| 259 | 296 | Advances to state-owned enterprises and Crown entities | 237 | 219 | 18 | 8.2 | 442 |
| 3,523 | 3,118 | Student loans | 3,669 | 3,646 | 23 | 0.6 | 4,104 |
| 213 | 320 | Other advances | 212 | 223 | (11) | (4.9) | 222 |
| 210 | 18 | Cash | 61 | 201 | (140) | (69.7) | 93 |
| 4,205 | 3,752 | Total Advances and Cash | 4,179 | 4,289 | (110) | (2.6) | 4,861 |
| 14,645 | 14,894 | Total Financial Assets | 16,312 | 16,439 | (127) | (0.8) | 16,140 |
| 21,396 | 22,513 | Net Crown Debt | 21,665 | 22,690 | 1,025 | 4.5 | 22,099 |
| 21,870 | 22,945 | Net New Zealand-dollar debt | 22,031 | 22,942 | 911 | 4.0 | 22,357 |
| (474) | (432) | Net foreign-currency debt | (366) | (252) | 114 | 45.2 | (258) |
| 21,396 | 22,513 | Net Crown Debt | 21,665 | 22,690 | 1,025 | 4.5 | 22,099 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF BORROWINGS (CONTINUED)

as at 31 December 2000

Movements in Net Crown Debt Since 30 June 2000

| | As at 1 July 2000 \$m | Increases/ Additions \$m | Decreases/ Disposals/ Repayments \$m | Foreign Exchange Contracts \$m | Currency Realignment \$m | Unamortised Premiums \$m | As at 31 December 2000 \$m |
|---------------------------------------|--------------------------------|--------------------------------|---|---|--------------------------------|--------------------------------|-------------------------------------|
| Outstanding Debt | | | | | | | |
| By Type | | | | | | | |
| New Zealand-dollar debt | 28,313 | 1,723 | (637) | - | - | (66) | 29,333 |
| Foreign-currency debt | 7,728 | 2,796 | (2,057) | 8 | 161 | 8 | 8,644 |
| Total Outstanding Debt | 36,041 | 4,519 | (2,694) | 8 | 161 | (58) | 37,977 |
| Less | | | | | | | |
| Financial Assets | | | | | | | |
| Marketable securities and deposits | 10,440 | 37,746 | (36,272) | 11 | 162 | 46 | 12,133 |
| Advances and cash | 4,205 | 467 | (483) | - | (10) | - | 4,179 |
| Total Financial Assets | 14,645 | 38,213 | (36,755) | 11 | 152 | 46 | 16,312 |
| Net Crown Debt | 21,396 | (33,694) | 34,061 | (3) | 9 | (104) | 21,665 |

STATEMENT OF COMMITMENTS

as at 31 December 2000

| | As at 31 December 2000 \$m | As at 30 June 2000 \$m | As at 31 December 1999 \$m |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| Capital Commitments | | | |
| Specialist military equipment | 401 | 321 | 616 |
| Land and buildings | 89 | 87 | 415 |
| Other plant and equipment | 42 | 63 | 27 |
| Investments | 196 | 17 | 20 |
| State-owned enterprises and Crown entities | 850 | 1,016 | 1,087 |
| Total Capital Commitments | 1,578 | 1,504 | 2,165 |
| Operating Commitments | | | |
| Non-cancellable accommodation leases | 769 | 789 | 582 |
| Other non-cancellable leases | 1,840 | 1,858 | 2,955 |
| Non-cancellable contracts for the supply of goods and services | 688 | 432 | 295 |
| Other operating commitments | 1,141 | 1,071 | 1,139 |
| State-owned enterprises and Crown entities | 2,414 | 2,713 | 2,403 |
| Total Operating Commitments | 6,852 | 6,863 | 7,374 |
| Total Commitments | 8,430 | 8,367 | 9,539 |

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

STATEMENT OF CONTINGENT LIABILITIES

as at 31 December 2000

| | As at 31 December 2000 \$m | As at 30 June 2000 \$m | As at 31 December 1999 \$m |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| Quantifiable Contingent Liabilities | | | |
| Guarantees and Indemnities | 405 | 592 | 367 |
| Uncalled Capital | 3,412 | 3,210 | 2,885 |
| Legal Proceedings and Disputes | 505 | 542 | 509 |
| Other Contingent Liabilities | 2,302 | 1,983 | 1,807 |
| Total Quantifiable Contingent Liabilities | 6,624 | 6,327 | 5,568 |

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

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CONTINGENT LIABILITIES (CONTINUED)

as at 31 December 2000

Guarantees and indemnities

Cook Islands – Asian Development Bank (ADB) Loans

Before 1992, the New Zealand Government guaranteed the Cook Islands' borrowing from the ADB. These guarantees have first call on New Zealand's Official Development Assistance to the Cook Islands.

\$24 million at 31 December 2000 (\$24 million at 30 June 2000).

Huntly East mine subsidence

For claims from private landowners concerning property damage or loss of value.

\$34 million at 31 December 2000 (\$34 million at 30 June 2000).

Indemnification of touring exhibitions

The Crown has a contingent liability for damages or losses under the scheme for indemnifying touring exhibitions. The contingent liability took effect in June 2000 and expires in October 2000.

\$56 million at 31 December 2000 (\$225 million at 30 June 2000).

Post Office Bank (PostBank) – guaranteed deposits

In the sale of PostBank to ANZ Banking Group Limited (ANZ), the Crown agreed to continue its guarantee, under the Post Office Bank Act 1987, for certain PostBank deposits lodged with the Bank before 1 July 1988. ANZ agreed to indemnify the Crown for the cost of any liability that may arise from the Crown guarantee. The amount guaranteed reduces as deposits mature.

\$18 million at 31 December 2000 (\$19 million at 30 June 2000).

Guarantees and indemnities of state-owned enterprises and Crown entities

\$259 million at 31 December 2000 (\$273 million at 30 June 2000).

Other guarantees and indemnities

\$14 million at 31 December 2000 (\$17 million at 30 June 2000).

Uncalled capital

| The Crown's uncalled capital subscriptions are as follows: | Uncalled Capital at 31 December 2000 | Uncalled Capital at 30 June 2000 |
|--|---|---|
| | \$m | \$m |
| Asian Development Bank | 1,533 | 1,443 |
| European Bank for Reconstruction and Development | 14 | 14 |
| International Bank for Reconstruction and Development | 1,865 | 1,753 |

Legal proceedings and disputes

The amounts under quantifiable contingent liabilities for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases were decided against the Crown.

Agriculture and Forestry – legal claims

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

\$16 million at 31 December 2000 (\$24 million at 30 June 2000).

Education – legal claims

For claims against the Crown in respect of the reduction of dental subsidies.

\$10 million at 31 December 2000 (\$10 million at 30 June 2000).

Health – Lake Alice claims

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

\$132 million at 31 December 2000 (\$132 million at 30 June 2000).

Maori Reserved Land

The Maori Reserved Land Amendment Act 1997 provides for compensation to lessees for the move to market rents for land, for shorter review periods and for additional transaction costs. In addition, Schedule 5 to the Act recognises that Maori have not been obtaining fair market rents for their land and that this issue will be dealt with by the Government as part of its consideration of historical grievances.

\$94 million at 31 December 2000 (\$94 million at 30 June 2000).

New Zealand Defence Force – legal claims

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

\$15 million at 31 December 2000 (\$15 million at 30 June 2000).

Police – legal claims

Claims against the Police for alleged legal or administrative faults.

\$39 million at 31 December 2000 (\$48 million at 30 June 2000).

Tax in dispute

Represents 50% of the outstanding debt of those tax assessments raised, against which an objection has been lodged and legal action is proceeding.

\$92 million at 31 December 2000 (\$107 million at 30 June 2000).

Treasury – legal claim

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

\$21 million at 31 December 2000 (\$6 million at 30 June 2000).

Legal claims against state-owned enterprises and Crown entities

\$29 million at 31 December 2000 (\$51 million at 30 June 2000).

Other legal claims

\$57 million at 31 December 2000 (\$55 million at 30 June 2000).

Other quantifiable contingent liabilities

Health – other contingent liabilities

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

\$99 million at 31 December 2000 (\$90 million at 30 June 2000).

International finance organisations

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

| | 31 December 2000 | 30 June 2000 |
|---|-------------------------|---------------------|
| | \$m | \$m |
| International Bank for Reconstruction and Development | 11 | Nil |
| International Monetary Fund | 2,060 | 1,754 |

Payment of the notes depends upon the operation of the rules of the individual organisations.

Reserve Bank – demonetised currency

The Crown has a contingent liability for the face value of the demonetised \$1 and \$2 notes issued which have yet to be repatriated.

\$23 million at 31 December 2000 (\$23 million at 30 June 2000).

Other quantifiable contingent liabilities against state-owned enterprises and Crown entities

\$56 million at 31 December 2000 (\$54 million at 30 June 2000).

Other quantifiable contingent liabilities

\$53 million at 31 December 2000 (\$62 million at 30 June 2000).

Non-Quantifiable Contingent Liabilities

This part of the Statement provides details of those contingent liabilities of the Crown which cannot be quantified.

Institutional guarantees

The following institutional guarantees have been provided through legislation.

Commerce Commission – indemnity for damages

The Crown has granted the Commerce Commission an indemnity, under section 59 of the Public Finance Act 1989, to give undertakings as to damages when seeking interim injunctions up to a maximum liability of \$40 million per case.

District Court Judges and Justices of the Peace

Section 119 of the District Courts Act 1947 indemnifies District Court Judges acting in their civil jurisdiction. Section 196A of the Summary Proceedings Act 1957 also indemnifies District Court Judges for any liabilities arising as a result of an act done by a Judge in excess of, or without, jurisdiction. Under section 197 of the Summary Proceedings Act 1957, Justices of the Peace are similarly indemnified as long as a High Court Judge certifies that they have acted in good faith and ought to be excused.

Earthquake Commission

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

Fletcher Challenge Limited (FCL)

Under the sale and purchase agreement for the sale of Forestry Corporation of New Zealand Limited, the Crown has indemnified FCL for the cost of cleaning up on-site environmental contamination incurred up to settlement date (27 September 1996). The Crown is to pay for half of any cost over \$30 million and for all costs over \$50 million. The on-site indemnity runs until 1 January 2020. The Crown has also indemnified FCL in respect of off-site environmental costs and losses incurred up until settlement date. The off-site indemnity is unlimited as to amount and time.

Maori Trustee

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

National Provident Fund

The Crown guarantees the benefits payable by all National Provident Fund Board schemes (section 60 of the National Provident Fund Restructuring Act 1990). The Crown also guarantees investments and interest thereon deposited with the National Provident Fund Board prior to 1 April 1991 (section 61 of the same Act).

A provision has been made in these Financial Statements in respect of the actuarially assessed deficit in the DBP (Annuitants') Scheme (refer Note 12 of the financial statements).

Persons exercising investigating powers

Section 63 of the Corporations (Investigation and Management) Act 1989 indemnifies the Securities Commission, the Registrar and Deputy Registrar of Companies, members of advising committees within the Act, every statutory manager of a corporation, and persons appointed pursuant to sections 17 to 19 of the Act, in the exercise of investigating powers, unless the power has been exercised in bad faith.

Public Trust Office

The Crown is liable to meet any deficiency in the Public Trust Office's Common Fund (section 36 of the Public Trust Office Act 1957).

Reserve Bank of New Zealand (the Reserve Bank)

Under section 146 of the Reserve Bank of New Zealand Act 1989, every statutory manager of a Registered Bank, every person appointed under section 99 or section 101 of the Act and every member of an advisory committee, shall be indemnified by the Crown in respect of any liability arising from the exercise, purported exercise or omission to exercise of any power conferred by Part V of the Act, unless that power has been exercised in bad faith.

The Government pays to the Reserve Bank any exchange losses incurred by the Reserve Bank as a result of dealing in foreign exchange under sections 17, 18 and 21(2) of the Act.

Other non-quantifiable contingent liabilities

Alkylammonium compound compensation

The Crown is liable, under an agreement with Carter Holt Harvey Limited, Thames Sawmilling Limited, Dashwood Treated Timber & Post Limited and McAlpines Limited, to meet 50% of settlement of claims relating to alkylammonium compound preservation of timber. The Crown is also liable for 50% of the costs of private claimants who cannot identify the timber treater and 100% of negotiated settlements of Prolog Industries Limited.

Bank of New Zealand (BNZ)

A deed, entered into by the Crown, Fay Richwhite and Company Limited and National Australia Group Limited (the purchaser of BNZ), provides for the sharing of certain costs arising from defined risks that pre-date the sale of the BNZ. These risks are associated with New Zealand taxation and specified litigation.

Contaminated sites

Under common law and various statutes, the Crown may have responsibility to remedy adverse effects on the environment arising from Crown activities. The 'Discussion Document on Contaminated Sites Management' discusses the possibility of the Crown contributing to funding the clean-up of 'orphan' contaminated sites.

Crown research institutes (CRIs)

The Crown has indemnified the CRIs for any costs arising from certain third-party claims that are the result of acts or omissions prior to the transfer date, for costs of complying with statutes, ordinances and bylaws which relate to or affect certain buildings, and (subject to certain limitations) for the costs of obtaining title to land.

DFC New Zealand Ltd (under statutory management) (DFC)

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

Electricity Corporation of New Zealand Limited (ECNZ)

The ECNZ Sale and Purchase Agreement provides for compensation to ECNZ for any tax, levy, royalty or impost imposed on ECNZ for the use of water or geothermal energy for plants in existence or under construction at the date of the Sale and Purchase Agreement. The Agreement also provides for compensation for any net costs to the corporation arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988.

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

Under the Trans Power New Zealand Limited (Trans Power) Sale and Purchase and Debt Assumption Agreements, the Crown has indemnified ECNZ for any losses resulting from changes in tax rules applicable to transactions listed in the agreements. Additionally, the Crown has indemnified the directors and officers of ECNZ for any liability they may incur in their personal capacities as a result of the Trans Power separation process.

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

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

Hospital and health services (HHS's)/ District Health Boards (DHB's)

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

Housing Corporation of New Zealand (HCNZ)

The Crown has indemnified the following entities in respect of the accuracy of information provided on the sale of various parcels of HCNZ mortgages: ANZ Banking Group Ltd, Mortgage Corporation, Countrywide Bank, TSB Bank, and Westpac Banking Corporation.

The Crown has indemnified the directors and officers of HCNZ against any liabilities in respect of the sale of mortgages to ANZ Bank and Mortgage Corporation.

Under the sale of mortgages to Westpac, HCNZ has insured the purchaser against certain credit losses with the Crown standing behind this obligation.

Legal proceedings have been initiated against a number of defendants, including the Crown, alleging breach of fiduciary duties in respect of the transfer of the Agreement for Sale and Purchase and mortgage agreements to HCNZ under the Housing Assets Transfer Act 1993.

Housing New Zealand Limited (HNZ)

The Crown has provided a warranty in respect of title to the assets transferred to HNZ and has indemnified the company against any breach of this warranty. The Crown has indemnified the company against any third party claims that are as a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of the company against any liability consequent upon the assets not complying with statutory requirements, provided they are taking steps to rectify any non-compliance.

Pharmaceutical Management Agency Limited (Pharmac) - indemnity

Section 99 of the Social Security Act 1964 provided for the fixing of prices for pharmaceutical products by way of a list specified by the Minister of Health ("the Drug Tariff"). This list was superseded by a list ("the Pharmaceutical Schedule") developed and issued by Pharmac, a company owned by the Ministry of Health and having various powers under the Health Reforms (Transitional Provisions) Act 1993.

Under the Transfer Agreement between Pharmac and the Crown, the Crown has indemnified Pharmac against any liability in respect of operations, activities, decisions and policies relating to the Drug Tariff and the Pharmaceutical Schedule.

A number of legal claims have been lodged against Pharmac. If these claims are successful, the Crown's financial position may be adversely affected by any damages arising either directly through the indemnity, or indirectly through its ownership of Pharmac.

Purchasers of Crown operations

The Crown has indemnified the purchasers of various Crown operations for losses owing to changes in legislation which uniquely and adversely affect those purchasers.

Sale of Crown assets

On the sale of Crown assets and the corporatisation of Crown assets into state-owned enterprises and Crown entities, the Crown has generally provided a warranty that the Crown was the rightful owner of the assets transferred, and that the assets were free of encumbrances.

Tax liabilities

The Crown has granted to the purchasers of the Shipping Corporation of New Zealand Limited, Telecom Corporation of New Zealand Limited, State Insurance Office Limited, and the Rural Banking and Finance Corporation Limited an indemnity for certain potential tax liabilities.

Treaty of Waitangi claims

Under the Treaty of Waitangi Act 1975, any Maori may lodge claims relating to land or actions counter to the principles of the Treaty with the Waitangi Tribunal. Where the Tribunal finds a claim is well founded, it may recommend to the Crown that action be taken to compensate those affected. The Tribunal can make recommendations that are binding on the Crown with respect to land which has been transferred by the Crown to an SOE or tertiary institution, or is subject to the Crown Forests Assets Act 1989.

Settlement relativity payments

The Deeds of Settlement negotiated with Waikato-Tainui and Ngai Tahu include a relativity mechanism. The mechanism provides that where the total redress amount for all historical Treaty settlements exceeds \$1 billion, in 1994 present value terms, the Crown is liable to make payments to maintain the real value of Ngai Tahu and Waikato-Tainui's settlements as a proportion of all Treaty settlements. The agreed relativity proportions are 17% for Waikato-Tainui and approximately 16% for Ngai Tahu. The non-quantifiable contingent liability relates to the risk that total settlement redress, including binding recommendations from the Waitangi Tribunal, will trigger these relativity payments.

Works Civil Construction

The Crown has provided an indemnity to the purchasers of Works Civil Construction in relation to the activities of the Ministry of Works prior to 1 April 1989. In addition, an indemnity has been provided against certain costs, claims or damages in relation to the Clyde and Ohaaki power projects.

Works Consultancy Services

The Crown has provided an indemnity to the purchasers of Works Consultancy Services in relation to the activities of the Ministry of Works prior to 1 April 1989.

STATEMENT OF ACCOUNTING POLICIES

as at 31 December 2000

Reporting Entity

These Financial Statements are for the Crown reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

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

A schedule of entities included in the Crown reporting entity was set out on pages 85 and 86 of the 2000 December Economic and Fiscal Update (DEFU) published on 19 December 2000.

General Accounting Policies

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

Revaluations are made to reflect the service potential or economic benefit obtained through control of the assets. The accrual basis of accounting has been used unless otherwise stated.

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

Specific Accounting Policies

The specific accounting policies of the Crown were described on pages 98 to 111 of the 2000 DEFU. There have been no changes in accounting policies during the period 1 July 2000 to 31 December 2000.

Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the DEFU, on 19 December 2000.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions on pages 98 to 111 of the DEFU.

Comparative Figures

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

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

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|--------------------------------------|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| NOTE 1: Direct Taxation | | | | | | | |
| Income Tax | | | | | | | |
| Individuals | | | | | | | |
| 12,972 | 6,241 | Source deductions | 6,749 | 6,844 | (95) | (1.4) | 13,575 |
| 3,123 | 1,674 | Other persons | 2,088 | 1,975 | 113 | 5.7 | 3,520 |
| (625) | (367) | Refunds | (422) | (400) | (22) | (5.5) | (719) |
| 306 | 150 | Fringe benefit tax | 207 | 193 | 14 | 7.3 | 292 |
| 15,776 | 7,698 | Total Individuals | 8,622 | 8,612 | 10 | 0.1 | 16,668 |
| Companies | | | | | | | |
| 4,270 | 2,607 | Gross companies | 2,806 | 2,553 | 253 | 9.9 | 4,647 |
| (112) | (57) | Refunds | (40) | (41) | 1 | 2.4 | (117) |
| 4,158 | 2,550 | Total Companies | 2,766 | 2,512 | 254 | 10.1 | 4,530 |
| Withholding Taxes | | | | | | | |
| 723 | 317 | Residents' interest income | 457 | 435 | 22 | 5.1 | 942 |
| 735 | 323 | Non-residents' income | 371 | 341 | 30 | 8.8 | 631 |
| 58 | 21 | Residents' dividend income | 24 | 29 | (5) | (17.2) | 47 |
| 47 | 24 | Foreign-source dividends | 20 | 21 | (1) | (4.8) | 76 |
| 1,563 | 685 | Total Withholding Taxes | 872 | 826 | 46 | 5.6 | 1,696 |
| 21,497 | 10,933 | Total Income Tax | 12,260 | 11,950 | 310 | 2.6 | 22,894 |
| Other Direct Taxation | | | | | | | |
| 2 | 1 | Estate and gift duties | 1 | 1 | - | - | 2 |
| 2 | 1 | Total Other Direct Taxation | 1 | 1 | - | - | 2 |
| 21,499 | 10,934 | Total Direct Taxation | 12,261 | 11,951 | 310 | 2.6 | 22,896 |
| NOTE 2: Indirect Taxation | | | | | | | |
| Goods and Services Tax | | | | | | | |
| 14,085 | 6,766 | Gross goods and services tax | 7,384 | 7,294 | 90 | 1.2 | 14,746 |
| (5,214) | (2,592) | Refunds | (3,143) | (2,963) | (180) | (6.1) | (5,642) |
| 8,871 | 4,174 | Total Goods and Services Tax | 4,241 | 4,331 | (90) | (2.1) | 9,104 |
| Excise Duties | | | | | | | |
| 808 | 420 | Petroleum fuels | 407 | 417 | (10) | (2.4) | 816 |
| 777 | 468 | Tobacco products | 402 | 405 | (3) | (0.7) | 762 |
| 442 | 260 | Alcoholic beverages | 244 | 243 | 1 | 0.4 | 445 |
| 2,027 | 1,148 | Total Excise Duties | 1,053 | 1,065 | (12) | (1.1) | 2,023 |
| Other Indirect Taxation | | | | | | | |
| 612 | 304 | Customs duty | 364 | 327 | 37 | 11.3 | 633 |
| 507 | 249 | Road user charges | 260 | 261 | (1) | (0.4) | 545 |
| 177 | 25 | Stamp, cheque and credit card duties | 32 | 28 | 4 | 14.3 | 67 |
| 176 | 88 | Motor vehicle fees | 89 | 88 | 1 | 1.1 | 176 |
| 108 | 82 | Gaming duties | 100 | 98 | 2 | 2.0 | 205 |
| 58 | 55 | Energy resources levy | 55 | 54 | 1 | 1.9 | 99 |
| 1,638 | 803 | Total Other Indirect Taxation | 900 | 856 | 44 | 5.1 | 1,725 |
| 12,536 | 6,125 | Total Indirect Taxation | 6,194 | 6,252 | (58) | (0.9) | 12,852 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual |
|--|---|--|---------------------------------|-----------------|-----------------|--------------|-----------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | Forecast \$m |
| NOTE 3: Investment Income | | | | | | | |
| Interest Income | | | | | | | |
| 426 | 219 | Marketable securities, deposits, mortgages and cash balances | 238 | 220 | 18 | 8.2 | 431 |
| 249 | 118 | Advances | 140 | 142 | (2) | (1.4) | 301 |
| 46 | 24 | Student loans | 27 | 25 | 2 | 8.0 | 48 |
| | | Other entities | | | | | |
| 721 | 361 | Total Interest Income | 405 | 387 | 18 | 4.7 | 780 |
| Dividend Income | | | | | | | |
| 15 | 15 | Dividends from state-owned enterprises | - | - | - | - | - |
| - | - | Electricity Corporation of New Zealand Limited | 7 | 7 | - | - | - |
| - | 3 | Genesis Power | 11 | 11 | - | - | - |
| 133 | 100 | Land Corporation Limited | 29 | 29 | - | - | - |
| - | - | Meridian Energy Limited | 21 | 21 | - | - | - |
| 18 | 7 | Mighty River Power Limited | - | - | - | - | - |
| 51 | 36 | New Zealand Post Limited | 15 | 15 | - | - | - |
| 103 | 63 | Television New Zealand Limited | 42 | 42 | - | - | - |
| 14 | 3 | Trans Power New Zealand Limited | 7 | 5 | 2 | 40.0 | 266 |
| 12 | 12 | Other | - | - | - | - | - |
| 87 | 87 | Housing Corporation Of New Zealand | 12 | - | 12 | - | - |
| 16 | 15 | Housing New Zealand Limited | 2 | 3 | (1) | (33.3) | 3 |
| | | Other dividends | | | | | |
| 449 | 341 | Total Dividend Income | 146 | 133 | 13 | 9.8 | 269 |
| Other Investment Income | | | | | | | |
| (25) | (27) | Gains/(losses) on marketable securities and deposits | 76 | 20 | 56 | 280.0 | 20 |
| 14 | 14 | Gain on sale of Vehicle Testing | - | - | - | - | - |
| (2) | - | New Zealand Limited | 1 | 4 | (3) | (75.0) | 4 |
| | | Other | | | | | |
| (13) | (13) | Total Other Investment Income | 77 | 24 | 53 | 220.8 | 24 |
| 1,157 | 689 | Total Investment Income | 628 | 544 | 84 | 15.4 | 1,073 |
| NOTE 4: Other Operational Revenue | | | | | | | |
| 92 | 54 | Recoveries from Accident Compensation Corporation | 55 | 53 | 2 | 3.8 | 102 |
| 46 | 12 | Contributions to Government Superannuation Fund | 11 | 13 | (2) | (15.4) | 22 |
| 27 | 21 | Petroleum royalties | 47 | 44 | 3 | 6.8 | 60 |
| 25 | 16 | Cost recovery income from Fisheries | 15 | 15 | - | - | 29 |
| 10 | 5 | Income from Earthquake Commission | 5 | 5 | - | - | 10 |
| 143 | 84 | Other | 66 | 60 | 6 | 10.0 | 109 |
| | | | | | | | |
| 343 | 192 | Total Other Operational Revenue | 199 | 190 | 9 | 4.7 | 332 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|--|---|---|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| NOTE 5: Expenses by Input Type | | | | | | | |
| | | Subsidies and transfer payments (see analysis below) | 6,616 | 6,636 | 20 | 0.3 | 13,363 |
| 12,960 | 6,469 | Operating expenses (see analysis below) | 8,418 | 8,399 | (19) | (0.2) | 17,467 |
| 16,792 | 7,963 | Personnel | | | | | |
| | | Personnel expenses (excluding pension expenses) | 1,286 | 1,295 | 9 | 0.7 | 2,630 |
| 2,527 | 1,260 | GSF Pension expenses | 333 | 344 | 11 | 3.2 | 680 |
| 679 | 315 | Movement in GSF unfunded pension liability | - | - | - | - | 244 |
| (201) | - | Other pension expenses | 31 | 27 | (4) | (14.8) | 53 |
| 57 | 28 | Depreciation | | | | | |
| | | Physical assets | 362 | 378 | 16 | 4.2 | 789 |
| 709 | 345 | State highways | 42 | 42 | - | - | 83 |
| 82 | 42 | Rental and leasing costs | 131 | 131 | - | - | 255 |
| 262 | 133 | Loss/(gain) on sale of assets | 3 | 3 | - | - | 3 |
| (7) | (1) | Finance costs (see analysis below) | 1,274 | 1,279 | 5 | 0.4 | 2,527 |
| 2,373 | 1,188 | Net foreign-exchange losses/ (gains) on liabilities | 70 | 972 | 902 | 92.8 | 972 |
| 997 | 386 | Net foreign-exchange (gains)/ losses on assets | (82) | (1,015) | (933) | (91.9) | (1,015) |
| (1,059) | (408) | Provision for future initiatives | - | - | - | - | 60 |
| - | - | | | | | | |
| 36,171 | 17,720 | Total Expenses | 18,484 | 18,491 | 7 | - | 38,111 |
| Analysis of Subsidies and Transfer Payments | | | | | | | |
| | | Social Assistance Grants | | | | | |
| | | New Zealand superannuation | 2,640 | 2,640 | - | - | 5,261 |
| 5,068 | 2,517 | Domestic purposes benefit | 723 | 720 | (3) | (0.4) | 1,437 |
| 1,433 | 723 | Community wage | 939 | 937 | (2) | (0.2) | 1,864 |
| 1,937 | 985 | Family support | 454 | 453 | (1) | (0.2) | 921 |
| 910 | 478 | Student allowances | 199 | 194 | (5) | (2.6) | 388 |
| 376 | 190 | Other social assistance grants | 1,493 | 1,514 | 21 | 1.4 | 3,107 |
| 2,863 | 1,409 | Subsidies | 65 | 70 | 5 | 7.1 | 136 |
| 136 | 67 | Other Transfer Payments | | | | | |
| | | Official development assistance | 93 | 97 | 4 | 4.1 | 227 |
| 219 | 93 | Other | 10 | 11 | 1 | 9.1 | 22 |
| 18 | 7 | | | | | | |
| 12,960 | 6,469 | Total Subsidies and Transfer Payments | 6,616 | 6,636 | 20 | 0.3 | 13,363 |
| Analysis of Operating Expenses | | | | | | | |
| | | Education purchases | | | | | |
| | | Early childhood education | 166 | 170 | 4 | 2.4 | 335 |
| 325 | 157 | Primary and secondary education | 1,625 | 1,620 | (5) | (0.3) | 3,545 |
| 3,405 | 1,701 | Tertiary education and training | 746 | 740 | (6) | (0.8) | 1,496 |
| 1,380 | 668 | Health purchases | 3,412 | 3,423 | 11 | 0.3 | 6,734 |
| 6,400 | 3,181 | Science purchases | 229 | 229 | - | - | 467 |
| 424 | 234 | Other operating expenses | 2,240 | 2,217 | (23) | (1.0) | 4,890 |
| 4,858 | 2,022 | | | | | | |
| 16,792 | 7,963 | Total Operating Expenses | 8,418 | 8,399 | (19) | (0.2) | 17,467 |
| Analysis of Finance Costs | | | | | | | |
| | | Interest | | | | | |
| | | New Zealand dollars | 1,033 | 1,050 | 17 | 1.6 | 2,105 |
| 1,993 | 1,005 | Foreign currencies | 231 | 211 | (20) | (9.5) | 380 |
| 355 | 170 | Other finance costs | 10 | 18 | 8 | 44.4 | 42 |
| 25 | 13 | | | | | | |
| 2,373 | 1,188 | Total Finance Costs | 1,274 | 1,279 | 5 | 0.4 | 2,527 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual |
|---|---|---|---------------------------------|--------------|-----------|------------|--------------|
| | | | Actual | Forecast | Variance | | Forecast |
| | | | \$m | \$m | \$m | % | \$m |
| NOTE 6: Advances | | | | | | | |
| Advances to State-owned Enterprises and Crown Entities | | | | | | | |
| 137 | 168 | Housing Corporation of New Zealand | 152 | 136 | 16 | 11.8 | 174 |
| 80 | 90 | Residual Health Management Unit | 39 | 39 | - | - | 15 |
| - | - | HHS's/DHB's | - | - | - | - | 210 |
| 41 | 37 | Solid Energy New Zealand Limited | 43 | 43 | - | - | 43 |
| 1 | 1 | Terralink NZ Limited | 3 | 1 | 2 | 200.0 | - |
| 259 | 296 | Total Advances to State-owned Enterprises and Crown Entities | 237 | 219 | 18 | 8.2 | 442 |
| Other Advances | | | | | | | |
| 3,523 | 3,118 | Student loans | 3,669 | 3,646 | 23 | 0.6 | 4,104 |
| 117 | 212 | Contact Energy Limited | 117 | 117 | - | - | 117 |
| 29 | 29 | Forestry encouragement loans | 26 | 29 | (3) | (10.3) | 29 |
| 36 | 36 | Maori Development rural lending | 39 | 41 | (2) | (4.9) | 49 |
| 7 | 8 | Catchment authorities | 8 | 9 | (1) | (11.1) | 6 |
| 24 | 35 | Other | 22 | 27 | (5) | (18.5) | 21 |
| 3,736 | 3,438 | Total Other Advances | 3,881 | 3,869 | 12 | 0.3 | 4,326 |
| 3,995 | 3,734 | Total Advances | 4,118 | 4,088 | 30 | 0.7 | 4,768 |

| NOTE 7: Receivables | | | | | | | |
|----------------------------|--------------|---|--------------|--------------|------------|------------|--------------|
| 4,225 | 5,373 | Taxes receivable | 5,840 | 5,816 | 24 | 0.4 | 4,426 |
| 1,029 | 987 | Accounts receivable | 1,086 | 894 | 192 | 21.5 | 913 |
| 175 | 185 | Receivable from the sale and purchase of Maui gas | 119 | 120 | (1) | (0.8) | 95 |
| 91 | 280 | Prepayments | 147 | 98 | 49 | 50.0 | 56 |
| 5,520 | 6,825 | Total Receivables | 7,192 | 6,928 | 264 | 3.8 | 5,490 |

NOTES TO THE FINANCIAL STATEMENTS

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

| | Investment as at 1 July 2000 \$m | Net surplus \$m | Distributions to Crown \$m | Net surplus after distributions \$m | Net revaluations to revaluation reserve \$m | Net capital contributions /(withdrawals) by Crown \$m | Investment as at 31 December 2000 \$m |
|---|--|-----------------------|----------------------------------|--|---|---|---|
| State-owned enterprises | 5,507 | 226 | (132) | 94 | 3 | (50) | 5,554 |
| Crown entities | 8,885 | 153 | (13) | 140 | (1) | 20 | 9,044 |
| Total State-owned Enterprises and Crown Entities | 14,392 | 379 | (145) | 234 | 2 | (30) | 14,598 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---------------------------------|-----------------|-----------------|---|--------------------|
| | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |

NOTE 9: Other Investments

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|---|---------------|-----------------|-----------------|------------|---------------------------|
| 111 | 31 | International Bank for Reconstruction and Development | 118 | 111 | 7 | 6.3 | 111 |
| 78 | 86 | Public Trust Office | 78 | 78 | - | - | 78 |
| 109 | 96 | Asian Development Bank | 107 | 104 | 3 | 2.9 | 109 |
| 40 | 60 | Other | 68 | 71 | (3) | (4.2) | 43 |
| 338 | 273 | Total Other Investments | 371 | 364 | 7 | 1.9 | 341 |

NOTE 10: Physical Assets

By Type

Cost or Valuation

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|--------------------------------|---------------|-----------------|-----------------|--------------|---------------------------|
| 1,830 | 2,320 | Land | 1,860 | 1,840 | 20 | 1.1 | 1,845 |
| 441 | 525 | Properties intended for sale | 431 | 420 | 11 | 2.6 | 420 |
| 8,749 | 8,012 | Buildings | 8,325 | 8,870 | (545) | (6.1) | 9,182 |
| 2,753 | 2,487 | Specialist military equipment | 2,892 | 2,925 | (33) | (1.1) | 3,034 |
| 2,097 | 2,148 | Other plant and equipment | 2,210 | 2,235 | (25) | (1.1) | 2,395 |
| 2,637 | 2,515 | Other assets | 2,637 | 2,627 | 10 | 0.4 | 2,627 |
| 18,507 | 18,007 | Total Cost or Valuation | 18,355 | 18,917 | (562) | (3.0) | 19,503 |

Accumulated Depreciation

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|---------------------------------------|---------------|-----------------|-----------------|-------------|---------------------------|
| 866 | 716 | Buildings | 568 | 956 | 388 | 40.6 | 1,136 |
| 487 | 411 | Specialist military equipment | 406 | 408 | 2 | 0.5 | 472 |
| 1,182 | 1,182 | Other plant and equipment | 1,261 | 1,294 | 33 | 2.6 | 1,417 |
| - | 7 | Other assets | 2 | 1 | (1) | (100.0) | 2 |
| 2,535 | 2,316 | Total Accumulated Depreciation | 2,237 | 2,659 | 422 | 15.9 | 3,027 |

Net Book Value

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|-------------------------------|---------------|-----------------|-----------------|--------------|---------------------------|
| 1,830 | 2,320 | Land | 1,860 | 1,840 | 20 | 1.1 | 1,845 |
| 441 | 525 | Properties intended for sale | 431 | 420 | 11 | 2.6 | 420 |
| 7,883 | 7,296 | Buildings | 7,757 | 7,914 | (157) | (2.0) | 8,046 |
| 2,266 | 2,076 | Specialist military equipment | 2,486 | 2,517 | (31) | (1.2) | 2,562 |
| 915 | 966 | Other plant and equipment | 949 | 941 | 8 | 0.9 | 978 |
| 2,637 | 2,508 | Other assets | 2,635 | 2,626 | 9 | 0.3 | 2,625 |
| 15,972 | 15,691 | Total Net Book Value | 16,118 | 16,258 | (140) | (0.9) | 16,476 |

Movements since 30 June

Cost or Valuation

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|--------------------------------|---------------|-----------------|-----------------|--------------|---------------------------|
| 17,467 | 17,467 | Opening balance | 18,507 | 18,507 | - | - | 18,507 |
| 407 | 341 | Net additions | 278 | 410 | (132) | (32.2) | 996 |
| 633 | 199 | Revaluations | (430) | - | (430) | - | - |
| 18,507 | 18,007 | Total Cost or Valuation | 18,355 | 18,917 | (562) | (3.0) | 19,503 |

Accumulated Depreciation

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
|---|---|---------------------------------------|---------------|-----------------|-----------------|--------------|---------------------------|
| 2,209 | 2,209 | Opening balance | 2,535 | 2,535 | - | - | 2,535 |
| (194) | (76) | Disposals | (278) | (255) | 23 | 9.0 | (298) |
| 709 | 345 | Depreciation charged for the period | 362 | 378 | 16 | 4.2 | 789 |
| (189) | (162) | Revaluations | (382) | 1 | 383 | - | 1 |
| 2,535 | 2,316 | Total Accumulated Depreciation | 2,237 | 2,659 | 422 | 15.9 | 3,027 |
| 15,972 | 15,691 | Net Physical Assets | 16,118 | 16,258 | (140) | (0.9) | 16,476 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---------------------------------|-----------------|-----------------|---|--------------------|
| | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |

NOTE 11: State Highways

| Cost or Valuation | | | | | | | |
|--------------------------|--------------|---------------------------------------|--------------|--------------|---|---|--------------|
| 8,770 | 8,770 | Opening balance | 8,911 | 8,911 | - | - | 8,911 |
| 201 | 80 | Net additions | 94 | 94 | - | - | 187 |
| (60) | - | Net revaluations | - | - | - | - | - |
| 8,911 | 8,850 | Total Cost or Valuation | 9,005 | 9,005 | - | - | 9,098 |
| Accumulated Depreciation | | | | | | | |
| - | - | Opening balance | - | - | - | - | - |
| 82 | 42 | Depreciation charged for the period | 42 | 42 | - | - | 83 |
| (82) | - | Net revaluations | - | - | - | - | - |
| - | 42 | Total Accumulated Depreciation | 42 | 42 | - | - | 83 |
| 8,911 | 8,808 | Net State Highways | 8,963 | 8,963 | - | - | 9,015 |

NOTE 12: Payables and Provisions

| | | | | | | | |
|--------------|--------------|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| 1,714 | 1,588 | Taxes repayable | 1,868 | 1,707 | (161) | (9.4) | 1,711 |
| 1,243 | 1,215 | Accounts payable | 1,519 | 1,590 | 71 | 4.5 | 1,514 |
| 1,363 | 501 | Accruals and provisions | 669 | 562 | (107) | (19.0) | 1,015 |
| | | National Provident Fund | | | | | |
| 433 | 423 | guarantee | 480 | 433 | (47) | (10.9) | 433 |
| | | National Provident Fund Board | | | | | |
| 105 | 96 | indemnity | 35 | 35 | - | - | - |
| | | Provisions for employee | | | | | |
| 382 | 344 | entitlements | 376 | 393 | 17 | 4.3 | 425 |
| 5,240 | 4,167 | Total Payables and Provisions | 4,947 | 4,720 | (227) | (4.8) | 5,098 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2000 \$m | Actual 31 December 1999 \$m | | Current Year Actual vs Forecast | | | | Annual |
|---|---|---|---------------------------------|--------------|-------------|--------------|--------------|
| | | | Actual | Forecast | Variance | | Forecast |
| | | | \$m | \$m | \$m | % | \$m |
| NOTE 13: Revaluation Reserve | | | | | | | |
| 7,219 | 7,219 | Opening Balance | 8,201 | 8,201 | - | - | 8,201 |
| Net Revaluations | | | | | | | |
| 22 | - | State highways | - | - | - | - | - |
| 516 | 361 | Land and buildings | (48) | - | (48) | - | - |
| 195 | - | Specialist military equipment | - | - | - | - | - |
| 111 | - | Other assets | - | (1) | 1 | 100.0 | (1) |
| 268 | 42 | State-owned enterprises and Crown entities | 2 | 3 | (1) | (33.3) | 3 |
| 1,112 | 403 | Total Net Revaluations | (46) | 2 | (48) | - | 2 |
| (130) | (40) | Transfers to accumulated operating balance | (8) | (13) | 5 | 38 | (13) |
| 8,201 | 7,582 | Closing Revaluation Reserve | 8,147 | 8,190 | (43) | (0.5) | 8,190 |