

Financial Statements of the Government of New Zealand

For the Six Months
Ended 31 December 2001



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COMMENTARY

OVERVIEW — SIX MONTHS TO DECEMBER 2001

| | December 2001 Actual YTD | December 2001 Forecast YTD | Variance \$m | June 2002 Forecast | June 2001 Actual |
|-------------------|--------------------------------|----------------------------------|-----------------|-----------------------|---------------------|
| Operating balance | 1,458 | 1,289 | 169 | 985 | 1,409 |
| Net worth | 12,971 | 12,746 | 225 | 12,442 | 11,463 |
| Net Crown debt | 20,364 | 21,019 | 655 | 21,703 | 19,971 |

The **operating balance** for the period to December was \$1,458 million, which was \$169 million higher than the December Economic and Fiscal Update (DEFU) forecast. This was due to:

- revenue being \$28 million above forecast;
- expenses being \$34 million below forecast; and
- SOE/CE surplus being \$107 million above forecast.

Within total revenue, **tax revenue** was \$7 million higher than forecast. The main components were:

- other persons tax being higher-than-forecast by \$62 million; and
- source deductions being higher-than-forecast by \$48 million.

These variances were partially offset by Goods and services tax being lower-than-forecast by \$99 million. The remaining variance was spread across a number of tax types.

Total expenses were \$34 million below forecast. The variance was spread across various functional classifications.

Net Crown debt (gross debt less financial assets excluding assets of the NZS Fund) was \$655 million lower than forecast largely due to:

- additional issues of circulating currency (\$471 million) which are not forecast as a matter of policy. This was due to cover the demand for additional currency over the Christmas period and a portion of this variance is expected to reverse in the coming months; and
- higher-than-forecast net cash flows from operations of \$401 million.

These were partially offset by variances in other financing and investing activities.

Net Crown debt was estimated to be 17.6% of GDP at 31 December, compared to a forecast of 18.1%.

The New Zealand Superannuation Fund (NZS Fund)

The NZS Fund is the vehicle for implementing the Government's policy to partially pre-fund future New Zealand Superannuation costs.

The New Zealand Debt Management Office (NZDMO) has been accumulating the contributions that will be made to the NZS Fund once the Guardians of New Zealand Superannuation are appointed and determine the investment strategy for the fund.

As at 31 December 2001 the amounts held by NZDMO totalled \$304 million (including interest accrued at the official cash rate).

COMPARISON WITH FORECAST

Financial Performance

The financial statements for the six months ended 31 December 2001 are compared against forecasts based on the 2001 December Economic and Fiscal Update (DEFU). The operating balance comprised:

| Operating Balance | Actual \$million | Forecast \$million | Variance \$million |
|--------------------------|---------------------|-----------------------|-----------------------|
| Revenue | 20,558 | 20,530 | 28 |
| Expenses | 19,315 | 19,349 | 34 |
| SOEs and Crown entities | 215 | 108 | 107 |
| Operating balance | 1,458 | 1,289 | 169 |

Revenue

Overall revenue was \$28 million higher than forecast.

Tax Revenue

Tax revenue was higher-than-forecast by \$7 million. The components of the year-to-date variance were:

| Variations Against Forecast | \$million |
|--------------------------------|-----------|
| Goods and services tax | (99) |
| Net other persons tax | 62 |
| Net company tax | (53) |
| Source deductions | 48 |
| Other taxation | 49 |
| Total Taxation Variance | 7 |

- **Goods and services tax** was lower-than-forecast by \$99 million. Some of this variance was likely to be due to timing differences in revenue recognition. With strong retail sales over Christmas, which will likely to be recognised in January and increasing consumer confidence levels, this variance is expected to reverse in the coming months.
- **Net other persons tax** was higher-than-forecast by \$62 million. Much of this variance was due to unexpected strength in taxpayer's provisional assessments.

- **net company tax** was lower-than-forecast by \$53 million. The IRD has recently completed its semi-annual external audit, which identified some overstatement of company tax collection. The forecast was completed on a pre-audited base. We expect some of the variance to remain throughout the financial year.
- **source deductions** were higher-than-forecast by \$48 million, which was within the normal range of variance for this large tax type.

Expenses

Total expenses for the period were \$34 million lower than forecast. Key movements included:

Social security and welfare expenses were lower-than-forecast by \$46 million. This comprised of a number of minor variances over various benefit types (refer note 5).

Defence and health expenses were lower-than-forecast by \$26 million and \$20 million respectively, which were due to timing issues and are expected to reverse in the coming months.

These variances have been partially offset by education expenses being higher-than-forecast by \$49 million. This primarily related to student loan provisioning. It is also expected that most of this variance will 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 | 238 | 184 | 54 |
| Distributions | (196) | (196) | - |
| | 42 | (12) | 54 |
| Crown Entities | | | |
| Surplus | 183 | 130 | 53 |
| Distributions | (10) | (10) | - |
| | 173 | 120 | 53 |
| Net Surplus | 215 | 108 | 107 |

The SOEs and Crown entities net surplus was higher-than-forecast by \$107 million. The key components of the variance were:

- Net surpluses from SOEs being higher-than-forecast by \$54 million. The variance was spread across a number of entities.
- Net surpluses from Crown entities being higher than forecast by \$53 million. This was largely due to higher than forecast investment returns from ACC and EQC.

Net Cash Flows

Net cash flows for the six months ended 31 December 2001 were as follows:

| Net Cash Flows | Actual | Forecast | Variance | |
|--|----------------|----------------|------------|-------------|
| | \$million | \$million | \$million | % |
| Operating activities | 109 | (292) | 401 | 137.3 |
| Investing activities (excluding net (purchases)/sales of marketable securities and deposits) | (1,471) | (1,425) | (46) | 3.2 |
| Amount required to be financed | (1,362) | (1,717) | 355 | 20.7 |
| Net sales/(purchases) of marketable securities and deposits | 522 | 956 | (434) | (45.4) |
| Financing activities | 1,156 | 1,042 | 114 | 10.9 |
| Net Movement in Cash | 316 | 281 | 35 | 12.5 |

Net cashflows from operating activities were higher-than-forecast by \$401 million due to:

- higher-than-forecast taxation receipts of \$236 million;
- higher-than-forecast other receipts of \$63 million; and
- lower-than-forecast cash disbursed to operations of \$102 million.

The favourable taxation receipts variance mainly comprised of:

- other indirect tax being \$64 million higher than forecast, largely due to payment of tobacco excise in December. This resulted from increased November production due to changes in some organisational structures in the tobacco industry. This variance is timing in nature and is expected to reverse in the coming months;
- companies tax being \$63 million higher than forecast some of this is likely to be due to timing and may reverse out in the future; and
- goods and services tax being \$52 million higher than forecast.

Net cash outflows from investing activities (excluding net (purchases)/sales of marketable securities and deposits) was \$46 million higher than forecast, which was mainly due to higher purchase of physical assets.

As a result, the **amount required to be financed** was \$355 million lower than forecast.

Financial Position

The Statement of Financial Position recording the Crown's assets, liabilities and net worth as at 31 December 2001 was made up of:

| Financial Position | Actual \$million | Forecast \$million | Variance | |
|----------------------------------|---------------------|-----------------------|------------|------------|
| | | | \$million | % |
| SOEs and Crown entities | 14,464 | 14,392 | 72 | 0.5 |
| Physical assets | 16,193 | 16,076 | 117 | 0.7 |
| Financial assets | 17,120 | 16,987 | 133 | 0.8 |
| Other assets | 19,232 | 19,494 | (262) | (1.3) |
| Total Assets | 67,009 | 66,949 | 60 | 0.1 |
| Gross debt | 37,180 | 37,702 | 522 | 1.4 |
| Pension liabilities | 8,487 | 8,487 | - | - |
| Other liabilities | 8,371 | 8,014 | (357) | (4.5) |
| Total Liabilities | 54,038 | 54,203 | 165 | 0.3 |
| Crown Balance (net worth) | 12,971 | 12,746 | 225 | 1.8 |

Net Crown debt was \$655 million lower than forecast. This was largely due to:

- additional issues of circulating currency of \$471 million; and
- higher-than-forecast net cash flows from operations of \$401 million (refer to previous page for explanation).

These have been partially offset by variances in other financing and investing activities, including movement in student loan provisions, purchase of physical assets, net advances and foreign exchange gains and losses.

Net Crown debt was estimated to be 17.6% of GDP at 31 December, compared to a forecast of 18.1%. This ratio is calculated using the actual nominal GDP number to September 2001, based on the latest GDP series released by Statistics New Zealand.

| | Actual \$m | Forecast \$m | Variance \$m |
|---|---------------|-----------------|-----------------|
| Net Crown Debt | | | |
| Gross Borrowings | 37,180 | 37,702 | 522 |
| Less | | | |
| Marketable securities/ deposits ¹ | 11,126 | 10,944 | 182 |
| Advances and cash ² | 5,690 | 5,739 | (49) |
| Financial Assets | 16,816 | 16,683 | 133 |
| Net Crown Debt | 20,364 | 21,019 | 655 |
| Net Crown Debt to GDP Ratio | 17.6% | 18.1% | 0.5% |

¹ The New Zealand Superannuation Funds financial assets of \$304 million held by the New Zealand Debt Management Office are excluded from the calculation of net Crown debt.

² **POST BALANCE DATE EVENT**

The Air New Zealand advance of \$300 million is currently reported as net debt neutral. The total recapitalisation package was approved by Air New Zealand shareholders. The advance has converted to new preference shares on 31 January 2002. The accrued interest on the advance has also converted to preference shares. An additional \$585 million of ordinary shares was purchased by the Crown on 31 January 2002. This will have the effect of increasing net debt, as the total investment will be recorded as an equity investment, which does not meet the definition of a financial asset.

COMPARISON WITH PREVIOUS YEAR

| | December YTD | | | | Year Ended 30 June | | | |
|---------------------------------------|----------------|----------------|--------------|--------------|--------------------|----------------|----------------|---------------|
| | 2001/02 | 2000/01 | | % | 2000/01 | 1999/00 | 1998/99 | 1997/98 |
| | \$m | \$m | \$m | % | \$m | \$m | \$m | \$m |
| Operating Statement | | | | | | | | |
| Total taxation revenue | 19,070 | 18,455 | 615 | 3.3 | 36,738 | 34,035 | 32,156 | 32,982 |
| % of GDP | 16.5% | 17.4% | | | 32.5% | 32.1% | 31.7% | 33.1% |
| Total non tax revenue | 1,488 | 1,327 | 161 | 12.1 | 2,754 | 2,491 | 4,201 | 2,599 |
| Total Revenue | 20,558 | 19,782 | 776 | 3.9 | 39,492 | 36,526 | 36,357 | 35,581 |
| % of GDP | 17.7% | 18.6% | | | 35.0% | 34.4% | 35.9% | 35.7% |
| Social security and welfare | 6,798 | 6,591 | (207) | (3.1) | 13,216 | 12,896 | 12,906 | 12,509 |
| GSF pension expenses | 342 | 333 | (9) | (2.7) | 855 | 478 | 1,132 | 494 |
| Health | 3,808 | 3,624 | (184) | (5.1) | 7,342 | 6,874 | 6,573 | 6,001 |
| Education | 3,487 | 3,286 | (201) | (6.1) | 6,690 | 6,310 | 5,899 | 5,714 |
| Core government services ¹ | 766 | 675 | (91) | (13.5) | 1,817 | 1,710 | 1,705 | 1,562 |
| Other | 2,889 | 2,713 | (176) | (6.5) | 5,830 | 5,592 | 5,141 | 5,114 |
| Finance costs | 1,194 | 1,274 | 80 | 6.3 | 2,483 | 2,373 | 2,516 | 2,804 |
| Net foreign exchange (gains) losses | 31 | (12) | (43) | 358.3 | (47) | (62) | (47) | 13 |
| Total Expenses | 19,315 | 18,484 | (831) | (4.5) | 38,186 | 36,171 | 35,825 | 34,211 |
| % of GDP | 16.7% | 17.4% | | | 33.8% | 34.1% | 35.3% | 34.3% |
| SOE/Crown entities net surplus | 215 | 234 | (19) | (8.1) | 523 | 575 | 1,245 | 1,164 |
| ACC Valuation movement | - | - | - | - | (420) | 519 | - | - |
| Operating Balance | 1,458 | 1,532 | (74) | (4.8) | 1,409 | 1,449 | 1,777 | 2,534 |
| % of GDP | 1.3% | 1.4% | | | 1.2% | 1.4% | 1.8% | 2.5% |
| OBERAC | 1,458 | 1,532 | (74) | (4.8) | 884 | 246 | 2,191 | 1,904 |
| % of GDP | 1.3% | 1.4% | | | 0.8% | 0.2% | 2.2% | 1.9% |
| Financial Position | | | | | | | | |
| SOEs and Crown entities | 14,464 | 14,598 | (134) | (0.9) | 14,077 | 14,392 | 12,917 | 19,022 |
| Physical assets | 16,193 | 16,118 | 75 | 0.5 | 16,102 | 15,972 | 15,258 | 14,962 |
| Other assets | 36,352 | 33,475 | 2,877 | 8.6 | 34,902 | 30,059 | 30,048 | 28,372 |
| Total Assets | 67,009 | 64,191 | 2,818 | 4.4 | 65,081 | 60,423 | 58,223 | 62,356 |
| Total Liabilities | 54,038 | 54,122 | 84 | 0 | 53,618 | 51,840 | 52,201 | 52,435 |
| Crown Balance (net worth) | 12,971 | 10,069 | 2,902 | 29 | 11,463 | 8,583 | 6,022 | 9,921 |
| % of GDP | 11.2% | 9.5% | | | 10.2% | 8.1% | 5.9% | 10.0% |
| Net Crown debt | 20,364 | 21,665 | (1,301) | (6) | 19,971 | 21,396 | 21,701 | 24,069 |
| % of GDP | 17.6% | 20.4% | | | 17.7% | 20.2% | 21.4% | 24.1% |
| GDP | 115,853 | 106,073 | | | 112,873 | 106,073 | 101,386 | 99,696 |

Taxation revenue was \$615 million higher than the six months ended December 2000, largely reflecting growth in wages, employment and goods and services tax.

Social security and welfare expenses were \$207 million higher than the previous year, due to the CPI increase across benefits on 1 April 2001 and new policy initiatives.

Education expenses were \$201 million higher than the previous year. The increase in expenditure reflects demographic changes as well as new policy initiatives.

Health expenses were \$184 million higher than the previous year, due to the provision of new services and maintaining existing service levels as a result of demographic, price inflations and technology growth pressures.

Other expenses were \$176 million higher than

previous years. This was largely due to changes to provisioning by Maori Development and Courts.

The investment in SOEs and Crown entities was \$134 million lower than the previous years, primarily due to the increase in the ACC outstanding claims liability valuation and asset revaluations at the end of the 2000/01 financial year. This has been offset by additional capital contributions to SOE/CE's during the current year.

Net Crown debt has reduced primarily due to the improved cash flows from operations reported in the 30 June 2001 Crown Financial Statements, combined with improvements in net cashflows from operating activities and circulating currency for the current financial year.

¹ An error was identified in last year's December Financial Statements that understated core government services by \$102 million. The error was corrected in the 2001 January Financial Statements.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Note | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|---|---|------|---------------------------------|-----------------|-----------------|-------------|---------------------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Revenue | | | | | | | | |
| Levied through the Crown's Sovereign Power | | | | | | | | |
| 23,863 | 12,261 | Direct taxation | 1 | 12,398 | 12,299 | 99 | 0.8 | 24,226 |
| 12,875 | 6,194 | Indirect taxation | 2 | 6,672 | 6,764 | (92) | (1.4) | 13,345 |
| 36,738 | 18,455 | Total taxation revenue | | 19,070 | 19,063 | 7 | - | 37,571 |
| 385 | 176 | Compulsory fees, fines, penalties and levies | | 286 | 283 | 3 | 1.1 | 519 |
| 37,123 | 18,631 | Total Revenue Levied through the Crown's Sovereign Power | | 19,356 | 19,346 | 10 | 0.1 | 38,090 |
| Earned through the Crown's Operations | | | | | | | | |
| 1,369 | 628 | Investment income | 3 | 682 | 697 | (15) | (2.2) | 1,207 |
| 659 | 324 | Sales of goods and services | | 338 | 328 | 10 | 3.0 | 670 |
| 381 | 199 | Other operational revenue | 4 | 182 | 159 | 23 | 14.5 | 323 |
| (40) | - | Unrealised (losses)/gains arising from revaluations of commercial forests | | - | - | - | - | - |
| 2,369 | 1,151 | Total Revenue Earned through the Crown's Operations | | 1,202 | 1,184 | 18 | 1.5 | 2,200 |
| 39,492 | 19,782 | Total Revenue | | 20,558 | 20,530 | 28 | 0.1 | 40,290 |
| Expenses | | | | | | | | |
| By functional classification | | | | | | | | |
| 13,216 | 6,591 | Social security and welfare | | 6,798 | 6,844 | 46 | 0.7 | 13,649 |
| 855 | 333 | GSF pension expenses | | 342 | 342 | - | - | 748 |
| 7,342 | 3,624 | Health | | 3,808 | 3,828 | 20 | 0.5 | 7,797 |
| 6,690 | 3,286 | Education | | 3,487 | 3,438 | (49) | (1.4) | 7,041 |
| 1,817 | 675 | Core government services | | 766 | 767 | 1 | 0.1 | 1,611 |
| 1,560 | 781 | Law and order | | 883 | 900 | 17 | 1.9 | 1,737 |
| 1,267 | 539 | Defence | | 546 | 572 | 26 | 4.5 | 1,162 |
| 1,026 | 517 | Transport and communications Economic and industrial services | | 434 | 436 | 2 | 0.5 | 1,103 |
| 1,141 | 531 | Primary services | | 573 | 575 | 2 | 0.3 | 1,258 |
| 287 | 126 | Heritage, culture and recreation Housing and community development | | 145 | 147 | 2 | 1.4 | 337 |
| 424 | 176 | Other | | 240 | 244 | 4 | 1.6 | 495 |
| 50 | 19 | Finance costs | | 44 | 48 | 4 | 8.3 | 92 |
| 75 | 24 | Net foreign-exchange losses/(gains) | | 24 | 9 | (15) | (166.7) | 137 |
| 2,483 | 1,274 | Provision for future initiatives | 5 | 1,194 | 1,198 | 4 | 0.3 | 2,345 |
| (47) | (12) | | | 31 | 1 | (30) | - | 1 |
| - | - | | | - | - | - | - | 90 |
| 38,186 | 18,484 | Total Expenses | 5 | 19,315 | 19,349 | 34 | 0.2 | 39,603 |
| 1,306 | 1,298 | Revenue Less Expenses | | 1,243 | 1,181 | 62 | 5.2 | 687 |
| Net surplus, less distributions, attributable to state-owned enterprises and Crown entities | | | | | | | | |
| 103 | 234 | | 8 | 215 | 108 | 107 | 99.1 | 298 |
| 1,409 | 1,532 | | | 1,458 | 1,289 | 169 | 13.1 | 985 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Note | Current Year Actual vs Forecast | | | Annual Forecast | |
|---|---|-------------------------------|------|---------------------------------|-----------------|-----------------|--------------------|---------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Assets | | | | | | | | |
| 115 | 61 | Cash and bank balances | | 433 | 419 | 14 | 3.3 | 169 |
| | | Marketable securities and | | | | | | |
| | | deposits ¹ | | 11,430 | 11,248 | 182 | 1.6 | 9,821 |
| 12,060 | 12,133 | Advances | 6 | 5,257 | 5,320 | (63) | (1.2) | 6,026 |
| 4,615 | 4,118 | Receivables | 7 | 7,267 | 7,507 | 240 | 3.2 | 6,125 |
| 6,197 | 7,192 | Inventories | | 201 | 203 | (2) | (1.0) | 207 |
| 193 | 265 | State-owned enterprises and | | | | | | |
| | | Crown entities | 8 | 14,464 | 14,392 | 72 | 0.5 | 14,713 |
| 14,077 | 14,598 | Other investments | 9 | 358 | 378 | (20) | (5.3) | 471 |
| 354 | 371 | Physical assets | 10 | 16,193 | 16,076 | 117 | 0.7 | 16,303 |
| 16,102 | 16,118 | Commercial forests | | 310 | 310 | - | - | 310 |
| 310 | 370 | State highways | 11 | 11,093 | 11,093 | - | - | 11,131 |
| 11,055 | 8,963 | Intangible assets | | 3 | 3 | - | - | 3 |
| 3 | 2 | Capital contingency provision | | - | - | - | - | 1,269 |
| - | - | | | | | | | |
| 65,081 | 64,191 | Total Assets | | 67,009 | 66,949 | 60 | 0.1 | 66,548 |
| Liabilities | | | | | | | | |
| 5,831 | 4,947 | Payables and provisions | 12 | 5,235 | 5,349 | 114 | 2.1 | 5,811 |
| 2,539 | 2,875 | Currency issued | | 3,136 | 2,665 | (471) | (17.7) | 2,665 |
| 36,761 | 37,977 | Borrowings | | 37,180 | 37,702 | 522 | 1.4 | 37,105 |
| 8,487 | 8,323 | Pension liabilities | | 8,487 | 8,487 | - | - | 8,525 |
| 53,618 | 54,122 | Total Liabilities | | 54,038 | 54,203 | 165 | 0.3 | 54,106 |
| Total Assets less | | | | | | | | |
| 11,463 | 10,069 | Total Liabilities | | 12,971 | 12,746 | 225 | 1.8 | 12,442 |
| Crown Balance | | | | | | | | |
| | | Accumulated operating | | | | | | |
| | | balance | | 4,917 | 4,746 | 171 | 3.6 | 4,442 |
| 3,456 | 1,922 | Revaluation reserve | 13 | 8,054 | 8,000 | 54 | 0.7 | 8,000 |
| 8,007 | 8,147 | | | | | | | |
| 11,463 | 10,069 | Crown Balance | | 12,971 | 12,746 | 225 | 1.8 | 12,442 |

¹ Contributions to the New Zealand Superannuation Fund to 31 December 2001 are included as marketable securities and deposits. As at 31 December 2001 the New Zealand Debt Management Office hold \$304 million marketable securities and deposits on behalf of the New Zealand Superannuation Fund.

The accompanying Notes are an integral part of these Statements.

STATEMENT OF MOVEMENTS IN EQUITY

for the six months ended 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|--|---------------------------------|-----------------|-----------------|-------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| 8,583 | 8,583 | Opening Crown Balance | 11,463 | 11,463 | - | - | 11,463 |
| 1,650 | - | State highway recognition policy change | - | - | - | - | - |
| 10,233 | 8,583 | Adjusted Operating Crown Balance | 11,463 | 11,463 | - | - | 11,463 |
| 1,409 (179) | 1,532 (46) | Operating balance for the period Net revaluations | 1,458 50 | 1,289 (6) | 169 56 | 13.1 - | 985 (6) |
| 1,230 | 1,486 | Total Recognised Revenues and Expenses | 1,508 | 1,283 | 225 | 17.5 | 979 |
| 11,463 | 10,069 | Closing Crown Balance | 12,971 | 12,746 | 225 | 1.8 | 12,442 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS

for the six months ended 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Cash Flows From Operations | | | | | | | |
| Cash was provided from | | | | | | | |
| Direct Taxation | | | | | | | |
| Individuals | | | | | | | |
| 13,748 | 6,709 | Source deductions | 7,152 | 7,131 | 21 | 0.3 | 14,380 |
| 4,221 | 1,877 | Other persons | 1,935 | 1,916 | 19 | 1.0 | 4,300 |
| (1,175) | (689) | Refunds | (697) | (703) | 6 | 0.9 | (1,158) |
| 338 | 190 | Fringe benefit tax | 173 | 173 | - | - | 340 |
| 17,132 | 8,087 | Total Individuals | 8,563 | 8,517 | 46 | 0.5 | 17,862 |
| Corporate | | | | | | | |
| 5,377 | 2,791 | Gross companies | 2,758 | 2,692 | 66 | 2.5 | 5,255 |
| (785) | (349) | Refunds | (367) | (364) | (3) | (0.8) | (692) |
| 738 | 270 | Non-resident withholding payment | 286 | 288 | (2) | (0.7) | 714 |
| 98 | 19 | Foreign-source dividend withholding payment | 78 | 61 | 17 | 27.9 | 108 |
| 5,428 | 2,731 | Total Corporate | 2,755 | 2,677 | 78 | 2.9 | 5,385 |
| 1,043 | 476 | Withholding taxes | 492 | 496 | (4) | (0.8) | 1,009 |
| 2 | 1 | Other direct taxation | 1 | 1 | - | - | 2 |
| 23,605 | 11,295 | Total Direct Taxation | 11,811 | 11,691 | 120 | 1.0 | 24,258 |
| Indirect Taxation | | | | | | | |
| Goods and services tax | | | | | | | |
| 14,604 | 6,408 | Gross goods and services tax | 7,106 | 7,028 | 78 | 1.1 | 15,257 |
| (5,657) | (2,643) | Refunds | (3,020) | (2,994) | (26) | (0.9) | (5,846) |
| 8,947 | 3,765 | Total goods and services tax | 4,086 | 4,034 | 52 | 1.3 | 9,411 |
| 3,698 | 1,967 | Other indirect taxation | 2,117 | 2,053 | 64 | 3.1 | 3,851 |
| 12,645 | 5,732 | Total Indirect Taxation | 6,203 | 6,087 | 116 | 1.9 | 13,262 |
| 36,250 | 17,027 | Total Taxation Receipts | 18,014 | 17,778 | 236 | 1.3 | 37,520 |
| 324 | 153 | Compulsory fees, fines, penalties and levies | 181 | 173 | 8 | 4.6 | 345 |
| Other Receipts | | | | | | | |
| 892 | 390 | Interest, profits and dividends | 602 | 557 | 45 | 8.1 | 1,017 |
| 622 | 341 | Sales of goods and services | 339 | 323 | 16 | 5.0 | 647 |
| 383 | 180 | Other operating receipts | 230 | 236 | (6) | (2.5) | 362 |
| 1,897 | 911 | Total Other Receipts | 1,171 | 1,116 | 55 | 4.9 | 2,026 |
| 38,471 | 18,091 | Total cash provided from operations | 19,366 | 19,067 | 299 | 1.6 | 39,891 |
| Cash was disbursed to | | | | | | | |
| 4,749 | 2,182 | Departmental outputs | 2,571 | 2,548 | (23) | (0.9) | 5,107 |
| 16,008 | 8,265 | Other outputs | 8,525 | 8,636 | 111 | 1.3 | 16,802 |
| 2,499 | 1,281 | Finance costs | 1,185 | 1,184 | (1) | (0.1) | 2,311 |
| 133 | 69 | Subsidies | 54 | 64 | 10 | 15.6 | 168 |
| Current transfers | | | | | | | |
| 12,910 | 6,765 | Social assistance grants | 6,814 | 6,811 | (3) | - | 13,502 |
| 250 | 103 | Other transfers | 108 | 116 | 8 | 6.9 | 258 |
| - | - | Provision for future initiatives | - | - | - | - | 90 |
| 36,549 | 18,665 | Total cash disbursed to operations | 19,257 | 19,359 | 102 | 0.5 | 38,238 |
| 1,922 | (574) | Net Cash Flows From Operations | 109 | (292) | 401 | 137.3 | 1,653 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---|---------------------------------|-----------------|-----------------|----------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| 1,922 | (574) | Subtotal (brought forward) | 109 | (292) | 401 | 137.3 | 1,653 |
| | | Cash Flows From Investing Activities | | | | | |
| | | Cash was provided from | | | | | |
| 174 | 55 | Net (purchase)/sale of investments | (175) | (209) | 34 | 16.3 | (440) |
| (1,001) | (1,439) | Net sale/(purchase) of marketable securities and deposits ¹ | 522 | 956 | (434) | (45.4) | 2,289 |
| 75 | 37 | Sale of physical assets | 47 | 51 | (4) | (7.8) | 94 |
| (752) | (1,347) | Total cash provided | 394 | 798 | (404) | (50.6) | 1,943 |
| | | Cash was disbursed to | | | | | |
| 617 | 139 | Net increase in advances | 680 | 654 | (26) | (4.0) | 1,323 |
| 1,205 | 533 | Purchase of physical assets | 663 | 613 | (50) | (8.2) | 1,456 |
| - | - | Capital contingency provision | - | - | - | - | 1,269 |
| 1,822 | 672 | Total cash disbursed | 1,343 | 1,267 | (76) | (6.0) | 4,048 |
| | | Net Cash Flows From | | | | | |
| (2,574) | (2,019) | Investing Activities | (949) | (469) | (480) | (102.3) | (2,105) |
| | | Net Cash Flows From | | | | | |
| (652) | (2,593) | Operating and Investing Activities | (840) | (761) | (79) | (10.4) | (452) |
| | | Cash Flows From Financing Activities | | | | | |
| | | Cash was Provided From | | | | | |
| 303 | 639 | Issues of circulating currency | 597 | 126 | 471 | 373.8 | 126 |
| 4,233 | 1,431 | Issues of Government stock | 1,896 | 1,806 | 90 | 5.0 | 1,056 |
| | | Other New Zealand-dollar borrowing ² | 328 | - | 328 | - | (103) |
| 574 | 233 | Borrowing in foreign currencies ² | 171 | 4 | 167 | - | (596) |
| 3,884 | 2,546 | | | | | | |
| 8,994 | 4,849 | Total Cash Provided | 2,992 | 1,936 | 1,056 | 54.5 | 483 |
| | | Cash was Disbursed to | | | | | |
| 3,167 | 165 | Repayment of Government stock | 885 | 788 | (97) | (12.3) | - |
| | | Repayment of other New Zealand- dollar borrowing ² | 459 | 106 | (353) | (333.0) | - |
| 879 | 496 | Repayment of foreign-currency borrowing ² | 492 | - | (492) | - | - |
| 4,398 | 1,734 | | | | | | |
| 8,444 | 2,395 | Total Cash Disbursed | 1,836 | 894 | (942) | (105.4) | - |
| 550 | 2,454 | Net Cash Flows From Financing Activities | 1,156 | 1,042 | 114 | 10.9 | 483 |
| (102) | (139) | Net Movement in Cash | 316 | 281 | 35 | 12.5 | 31 |
| 210 | 210 | Opening Cash Balance | 115 | 115 | - | - | 115 |
| | | Foreign-exchange gains/(losses) on opening cash | 2 | 23 | (21) | (91.3) | 23 |
| 7 | (10) | | | | | | |
| 115 | 61 | Closing Cash Balance | 433 | 419 | 14 | 3.3 | 169 |

¹ Net sale/(purchase) of marketable securities and deposits includes the purchases made on behalf of the New Zealand Superannuation Fund of \$300 million.

² 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 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|--|---|---|---------------------------------|-----------------|-----------------|---------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Reconciliation Between the Net Cash Flows from Operations and the Operating Balance | | | | | | | |
| 1,922 | (574) | Net Cash Flows from Operations | 109 | (292) | 401 | 137 | 1,653 |
| | | <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | |
| | | Valuation Changes | | | | | |
| (164) | - | (Increase)/decrease in pension liabilities | - | - | - | - | (38) |
| (40) | - | Revaluation of commercial forests | - | - | - | - | - |
| 100 | 175 | Unrealised net foreign-exchange gains | (74) | - | (74) | - | - |
| (253) | - | National Provident Fund guarantee | - | - | - | - | - |
| (357) | 175 | Total Valuation Changes | (74) | - | (74) | - | (38) |
| | | Physical Asset Movements | | | | | |
| (925) | (404) | Depreciation | (455) | (461) | 6 | 1.3 | (965) |
| (7) | (3) | (Loss)/gain on sale of physical assets | (1) | (1) | - | - | (1) |
| (932) | (407) | Total Physical Asset Movements | (456) | (462) | 6 | 1.3 | (966) |
| | | Other Non-cash Items | | | | | |
| | | Net surplus, less distributions, attributable to state-owned enterprises and Crown entities | 215 | 108 | 107 | 99.1 | 298 |
| (103) | - | Loss on writedown of defence equipment | - | - | - | - | - |
| (61) | - | Student loans | 31 | (40) | 71 | 177.5 | 7 |
| 55 | 40 | Other | - | - | - | - | - |
| (6) | 274 | Total Other Non-cash Items | 246 | 68 | 178 | 261.8 | 305 |
| 177 | 3 | Total other investing and financing items | (54) | - | (54) | - | - |
| | | Movements in Working Capital | | | | | |
| 737 | 1,615 | Increase/(decrease) in taxes receivable | 998 | 1,296 | (298) | (23.0) | (1) |
| (62) | 57 | Increase/(decrease) in other receivables | 72 | 14 | 58 | 414.3 | (71) |
| (81) | (9) | Increase/(decrease) in inventories | 8 | 10 | (2) | (20.0) | 14 |
| 11 | 398 | Decrease/(increase) in payables | 609 | 655 | (46) | (7.0) | 89 |
| 605 | 2,061 | Total movements in working capital | 1,687 | 1,975 | (288) | (14.6) | 31 |
| 1,409 | 1,532 | Operating Balance | 1,458 | 1,289 | 169 | 13.1 | 985 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$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 | | | | | | | |
| 1,922 | (574) | Net Cash Flows From Operations | 109 | (292) | 401 | 137.3 | 1,653 |
| | | Investing flows | | | | | |
| | | <i>Net advances</i> | | | | | |
| (27) | (16) | Housing New Zealand Corporation | (291) | (261) | (30) | (11.5) | - |
| - | - | - Contact Energy Limited | 70 | 70 | - | - | - |
| (668) | (151) | Student loans | (170) | (186) | 16 | 8.6 | - |
| 51 | - | - Residual Health Management Unit | - | - | - | - | - |
| (24) | - | - District health boards | - | - | - | - | - |
| - | - | - Air New Zealand | (300) | (300) | - | - | - |
| - | - | - Solid Energy New Zealand Limited | 19 | 19 | - | - | - |
| 51 | 28 | Other | (8) | 4 | (12) | (300.0) | (1,323) |
| (617) | (139) | Total Net Advances | (680) | (654) | (26) | (4.0) | (1,323) |
| (1,130) | (496) | Net purchase of physical assets | (616) | (562) | (54) | (9.6) | (1,362) |
| | | <i>Net investments</i> | | | | | |
| (41) | (17) | District health boards | (66) | (79) | 13 | 16.5 | - |
| 50 | 50 | At Work Insurance Limited | 7 | - | 7 | - | - |
| - | - | - New Zealand Post Limited | (72) | (72) | - | - | - |
| | | 2GHz radio spectrum rights | | | | | |
| 140 | - | - auction proceeds | - | - | - | - | - |
| 25 | 22 | Other | (44) | (58) | 14 | 24.1 | (440) |
| - | - | - Capital contingency provision | - | - | - | - | (1,269) |
| 174 | 55 | Net (purchase)/sale of Investments | (175) | (209) | 34 | 16.3 | (1,709) |
| 349 | (1,154) | (Required to be financed)/Available for debt repayment | (1,362) | (1,717) | 355 | 20.7 | (2,741) |
| | | <i>Used in:</i> | | | | | |
| | | Net sale/(purchase) of marketable securities and deposits | 522 | 956 | (434) | (45.4) | 2,289 |
| (1,001) | (1,439) | | | | | | |
| (652) | (2,593) | Total Investing activities | (840) | (761) | (79) | (10.4) | (452) |
| | | Net (repayment)/issue of other | | | | | |
| (305) | (263) | New Zealand-dollar borrowing | (131) | (106) | (25) | (23.6) | (103) |
| | | Net (repayment)/issue of foreign | | | | | |
| (514) | 812 | currency borrowing | (321) | 4 | (325) | - | (596) |
| 102 | 139 | (Increase)/decrease in cash | (316) | (281) | (35) | (12.5) | (31) |
| 303 | 639 | Issues of circulating currency | 597 | 126 | 471 | 373.8 | 126 |
| (414) | 1,327 | | (171) | (257) | 86 | 33.5 | (604) |
| (1,066) | (1,266) | Net (Cash Proceeds from)/Repayments of Domestic Bonds | (1,011) | (1,018) | 7 | 0.7 | (1,056) |
| | | Gross Cash Proceeds from Domestic Bonds | | | | | |
| 3,572 | 1,306 | Domestic bonds (market) | 1,698 | 1,708 | (10) | (0.6) | 4,156 |
| 661 | 125 | Domestic bonds (non-market) | 199 | 98 | 101 | 103.1 | 98 |
| - | - | Inflation bonds | - | - | - | - | - |
| 4,233 | 1,431 | Total Gross Cash Proceeds from Domestic Bonds | 1,897 | 1,806 | 91 | 5.0 | 4,254 |
| (2,651) | (165) | Repayment of domestic bonds (market) | (680) | (606) | (74) | (12.2) | (2,590) |
| (516) | - | Repayment of domestic bonds (non-market) | (206) | (182) | (24) | (13.2) | (608) |
| 1,066 | 1,266 | Net Cash Proceeds from/(Repayments of) Domestic Bonds | 1,011 | 1,018 | (7) | (0.7) | 1,056 |

The accompanying Notes are an integral part of these Statements.

STATEMENT OF BORROWINGS

as at 31 December 2001

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|--|---|---|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| Outstanding Debt | | | | | | | |
| New Zealand-Dollar Debt | | | | | | | |
| 23,331 | 23,507 | Government stock | 24,351 | 24,355 | 4 | - | 24,406 |
| 5,558 | 5,425 | Treasury bills | 5,456 | 5,467 | 11 | 0.2 | 5,466 |
| (272) | (60) | Loans and foreign-exchange contracts | (369) | (340) | 29 | 8.5 | (342) |
| 498 | 461 | Retail stock | 581 | 541 | (40) | (7.4) | 527 |
| 29,115 | 29,333 | Total New Zealand-Dollar Debt | 30,019 | 30,023 | 4 | - | 30,057 |
| Foreign-Currency Debt | | | | | | | |
| 4,780 | 4,455 | United States dollars | 4,329 | 4,448 | 119 | 2.7 | 4,170 |
| 1,432 | 2,309 | Japanese yen | 1,326 | 1,432 | 106 | 7.4 | 1,079 |
| 1,434 | 1,880 | European and other currencies | 1,506 | 1,799 | 293 | 16.3 | 1,799 |
| 7,646 | 8,644 | Total Foreign-Currency Debt | 7,161 | 7,679 | 518 | 6.7 | 7,048 |
| 36,761 | 37,977 | Total Outstanding Debt | 37,180 | 37,702 | 522 | 1.4 | 37,105 |
| Less | | | | | | | |
| Financial Assets | | | | | | | |
| Marketable Securities and Deposits | | | | | | | |
| 3,971 | 3,122 | New Zealand dollars | 3,926 | 3,028 | 898 | 29.7 | 1,862 |
| 5,093 | 4,379 | United States dollars | 4,538 | 4,583 | (45) | (1.0) | 4,358 |
| 1,548 | 2,444 | Japanese yen | 1,186 | 1,458 | (272) | (18.7) | 1,105 |
| 1,448 | 2,188 | European and other currencies | 1,476 | 1,875 | (399) | (21.3) | 1,882 |
| 12,060 | 12,133 | Total Marketable Securities and Deposits¹ | 11,126 | 10,944 | 182 | 1.7 | 9,207 |
| Advances and Cash | | | | | | | |
| Advances to state-owned enterprises and Crown entities | | | | | | | |
| 261 | 237 | | 533 | 504 | 29 | 5.8 | 922 |
| 4,143 | 3,669 | Student loans | 4,282 | 4,376 | (94) | (2.1) | 4,870 |
| 211 | 212 | Other advances | 442 | 440 | 2 | 0.5 | 234 |
| 115 | 61 | Cash | 433 | 419 | 14 | 3.3 | 169 |
| 4,730 | 4,179 | Total Advances and Cash | 5,690 | 5,739 | (49) | (0.9) | 6,195 |
| 16,790 | 16,312 | Total Financial Assets | 16,816 | 16,683 | 133 | 0.8 | 15,402 |
| 19,971 | 21,665 | Net Crown Debt | 20,364 | 21,019 | 655 | 3.1 | 21,703 |
| 20,495 | 22,031 | Net New Zealand-dollar debt | 20,943 | 21,256 | 313 | 1.5 | 22,000 |
| (524) | (366) | Net foreign-currency debt | (579) | (237) | 342 | 144.3 | (297) |
| 19,971 | 21,665 | Net Crown Debt | 20,364 | 21,019 | 655 | 3.1 | 21,703 |

¹ The New Zealand Superannuation (NZS) Funds marketable securities and deposits as at 31 December of \$304 million are excluded from the calculation of net Crown debt.

The accompanying Notes are an integral part of these Statements.

STATEMENT OF BORROWINGS (CONTINUED)

as at 31 December 2001

Movements in Net Crown Debt Since 30 June 2001

| | As at 1 July 2001 \$m | Net Increases/ (Decreases) \$m | Foreign Exchange Contracts \$m | Currency Realignment \$m | Unamortised Premiums \$m | As at December 2001 \$m |
|---------------------------------------|--------------------------------|---|---|--------------------------------|--------------------------------|----------------------------------|
| Outstanding Debt | | | | | | |
| By Type | | | | | | |
| New Zealand-dollar debt | 29,115 | 908 | - | - | (4) | 30,019 |
| Foreign-currency debt | 7,646 | (290) | - | (219) | 24 | 7,161 |
| Total Outstanding Debt | 36,761 | 618 | - | (219) | 20 | 37,180 |
| Less | | | | | | |
| Financial Assets | | | | | | |
| Marketable securities and deposits | 12,060 | (787) | - | 84 | 73 | 11,126 |
| Advances and cash | 4,730 | 920 | - | 2 | - | 5,690 |
| Total Financial Assets | 16,790 | 133 | - | 86 | 73 | 16,816 |
| Net Crown Debt | 19,971 | 485 | - | (305) | (53) | 20,364 |

STATEMENT OF COMMITMENTS

as at 31 December 2001

| | As at 31 December 2001 \$m | As at 30 June 2001 \$m | As at 31 December 2000 \$m |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| Capital Commitments | | | |
| Specialist military equipment | 586 | 639 | 401 |
| Land and buildings | 539 | 383 | 89 |
| Other plant and equipment | 32 | 41 | 42 |
| Investments | 18 | 15 | 196 |
| State-owned enterprises and Crown entities | 648 | 619 | 850 |
| Total Capital Commitments | 1,823 | 1,697 | 1,578 |
| Operating Commitments | | | |
| Non-cancellable accommodation leases | 812 | 842 | 769 |
| Other non-cancellable leases | 1,762 | 1,713 | 1,840 |
| Non-cancellable contracts for the supply of goods and services | 1,780 | 367 | 688 |
| Other operating commitments | 1,717 | 2,213 | 1,141 |
| State-owned enterprises and Crown entities | 2,422 | 2,471 | 2,414 |
| Total Operating Commitments | 8,493 | 7,606 | 6,852 |
| Total Commitments | 10,316 | 9,303 | 8,430 |

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 2001

Quantifiable Contingent Liabilities

| | As at 31 December 2001 \$m | As at 30 June 2001 \$m | As at 31 December 2000 \$m |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| Guarantees and Indemnities | 400 | 371 | 405 |
| Uncalled Capital | 3,504 | 3,594 | 3,412 |
| Legal Proceedings and Disputes | 467 | 571 | 505 |
| Other Contingent Liabilities | 1,909 | 1,965 | 2,302 |
| Total Quantifiable Contingent Liabilities | 6,280 | 6,501 | 6,624 |

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 2001

Quantifiable Contingent Liabilities

| | 31 December 2001 \$m | 30 June 2001 \$m |
|--|----------------------------|---------------------|
| Guarantees and indemnities | 400 | 371 |
| Uncalled capital | 3,504 | 3,594 |
| Legal proceedings and disputes | 467 | 571 |
| Other contingent liabilities | 1,909 | 1,965 |
| Total Quantifiable Contingent Liabilities | 6,280 | 6,501 |

Only contingent liabilities involving amounts of \$10 million or more in any one year are separately disclosed. Contingent liabilities below \$10 million are included in the "other" totals. Comparatives have been adjusted where appropriate to align with the disclosure of new "material" contingent liabilities. The total amount of comparative contingent liabilities remains unchanged.

Contingent liabilities are costs which the Crown will have to face if a particular event occurs. Typically, contingent liabilities consist of guarantees and indemnities, uncalled capital and legal disputes and claims. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation. In general, if a contingent liability were realised it would have a negative impact on the operating balance, net Crown debt and net worth. However, in the case of contingencies for uncalled capital, the negative impact would be restricted to net Crown debt.

Where contingent liabilities have arisen as a consequence of legal action being taken against the Crown, the amount shown is the amount claimed and thus the maximum potential cost. It does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

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.

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.

\$25 million at 31 December 2001 (\$26 million at 30 June 2001).

Huntly East mine subsidence

Claims from private landowners concerning property damage or loss of value.

\$22 million at 31 December 2001 (\$22 million at 30 June 2001).

Indemnification of receivers and managers – Terralink Limited

The Crown has issued a Deed of Receivership indemnity to the appointed receivers of Terralink Limited.

\$10 million at 31 December 2001 (\$10 million at 30 June 2001).

Ministry of Transport – Funding guarantee

The Minister of Finance has issued a guarantee of \$10 million to the Transport Accident Investigation Commission. The guarantee allows the Commission to assure payment to suppliers of specialist salvage equipment in the event of the Commission initiating an urgent investigation of any future significant transport accident.

\$10 million at 31 December 2001 (*nil* at 30 June 2001).

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.

\$16 million at 31 December 2001 (\$16 million at 30 June 2001).

Guarantees and indemnities of state-owned enterprises and Crown entities

\$266 million at 31 December 2001 (\$243 million at 30 June 2001).

Other guarantees and indemnities

\$51 million at 31 December 2001 (\$54 million at 30 June 2001).

Uncalled capital

| | Uncalled Capital at 31 December 2001 | Uncalled Capital at 30 June 2001 |
|--|---|---|
| | \$m | \$m |
| The Crown's uncalled capital subscriptions are as follows: | | |
| Asian Development Bank | 1,514 | 1,553 |
| European Bank for Reconstruction and Development | 15 | 15 |
| International Bank for Reconstruction and Development | 1,975 | 2,026 |

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.

Where contingent liabilities have arisen as a consequence of legal action being taken against the Crown, the amount shown is the amount claimed and thus the maximum potential cost. It does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

Agriculture and Forestry – legal claims

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

\$19 million at 31 December 2001 (\$26 million at 30 June 2001).

Education – legal claims

Claims against the Crown in respect of the reduction of dental subsidies.

\$16 million at 31 December 2001 (\$10 million at 30 June 2001).

Health – Legal claims

Claims against the Crown in respect of people allegedly contracting Hepatitis C through contaminated blood and blood products, and claims arising from the Gisborne inquiry.

\$124 million at 31 December 2001 (\$72 million at 30 June 2001).

Māori Development – Māori Reserved Land

The Māori 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 Māori 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 2001 (\$94 million at 30 June 2001).

New Zealand Defence Force – legal claims

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

\$10 million at 31 December 2001 (\$15 million at 30 June 2001).

Police – legal claims

Claims against the Police for alleged legal or administrative faults.

\$49 million at 31 December 2001 (\$56 million at 30 June 2001).

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.

\$68 million at 31 December 2001 (\$77 million at 30 June 2001).

Other legal claims

\$87 million at 31 December 2001 (\$221 million at 30 June 2001).

Other quantifiable contingent liabilities

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.

\$25 million at 31 December 2001 (\$24 million at 30 June 2001).

International finance organisations

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

| | 31 December 2001 | 30 June 2001 |
|-----------------------------|-------------------------|---------------------|
| | \$m | \$m |
| Asian Development Bank | nil | 12 |
| International Monetary Fund | 1,788 | 1,810 |

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

Other quantifiable contingent liabilities

\$96 million at 31 December 2001 (\$119 million at 30 June 2001).

Unquantifiable 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

Under a Deed of Indemnity dated 12 November 1991, the Minister of Finance agreed to indemnify the Commission when it gives an undertaking as to damages when seeking injunctions under the Fair Trading and Commerce Acts, and subsequently the Court orders the Commission to pay damages. The sum payable under this Deed is limited to an amount up to \$40 million per case taken to Court. The Commerce Act was amended with effect from 26 May 2001, to remove the need for the Commission to provide such undertakings.

District Court Judges, Justices of the Peace, Coroners and Dispute Tribunals

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.

Section 35 of the Coroners Act 1988 confers on Coroners acting within the Coroner Act 1988 the same privileges and immunities as District Court Judges under the Summary Proceedings Act 1957.

Under section 197 of the Summary Proceedings Act 1957, Justices of the Peace are similarly covered as long as a High Court Judge certifies that they have acted in good faith and ought to be indemnified.

Section 58 of the Disputes Tribunal Act 1988 confers on Disputes Tribunal referees acting within the Disputes Tribunal Act 1988 the same protection as Justices of the Peace under the Summary Proceedings Act 1957.

Earthquake Commission

The Crown is liable to meet any deficiency in the Earthquake Commission's assets in meeting the Commission's financial 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.

Ministry of Fisheries – indemnity provided for delivery of registry services

The Crown has indemnified Commercial Fisheries Services Limited against claims made by third parties arising from Commercial Fisheries Services undertaking registry services under contract to the Chief Executive of the Ministry of Fisheries. This indemnity, provided under the Fisheries Acts 1983 and 1996, expires on 30 October 2006 unless varied, in which case it will expire on 30 September 2008.

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 Crown 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 unquantifiable contingent liabilities

Accident Compensation Corporation (ACC)

A court decision has determined that the ACC practice, prior to the Accident Insurance Act 1998, of allowing for familial responsibility when determining attendant care entitlements was not legitimate. The decision is likely to apply to a number of seriously injured claimants.

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 Limited (under statutory management) (DFC)

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

District health boards (DHBs)

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

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 ECNZ arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988.

The Deed of Assumption and Release between ECNZ, Contact Energy Limited and the Crown provides that the Crown is no longer liable to ECNZ in respect of 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 Limited, Mighty River Power Limited, and Genesis Power Limited.

Under the Transpower New Zealand Limited (Transpower) 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 Transpower 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
- any liabilities that arise out of the split itself.

Housing New Zealand Corporation (HNZC)

The Crown has indemnified the following entities in respect of the accuracy of information provided on the sale of various parcels of HNZC (formerly Housing Corporation of New Zealand) mortgages: Countrywide Bank, TSB Bank, and Westpac Banking Corporation.

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

Under the sale of mortgages to Westpac, HNZC 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 HNZC under the Housing Assets Transfer Act 1993.

In addition, the Crown has provided a warranty in respect of title to the assets transferred to HNZC (formerly Housing New Zealand) 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.

Indemnities against acts of war and terrorism

The Crown has indemnified Air New Zealand against claims arising from acts of war and terrorism, that cannot be met from insurance, up to a limit of US\$2 billion in respect of any one claim.

The Crown has offered non-airline aviation companies indemnities against acts of war, terrorism and related causes where commercial cover has been withdrawn following the events in the USA on Sept 11 2001. The indemnities are for a maximum of US\$200 million for each party. At 31 December 2001, indemnities had been signed with Airways Corporation, Auckland International Airport, Christchurch International Airport, and Wellington International Airport. Further indemnities may be offered to eligible parties.

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 Crown and having various powers under the New Zealand Public Health and Disability Act 2000.

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 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 Māori 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 a state-owned enterprise or tertiary institution, or is subject to the Crown Forest 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’s 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 and Development 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 and Development prior to 1 April 1989.

STATEMENT OF ACCOUNTING POLICIES

as at 31 December 2001

Reporting Entity

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

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

A schedule of entities included in the Crown reporting entity was set out on pages 112 and 113 of the 2001 December Economic and Fiscal Update (DEFU) published on 18 December 2001.

General Accounting Policies

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

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

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

Specific Accounting Policies

The specific accounting policies of the Crown were described on pages 125 to 138 of the 2001 DEFU. There have been no changes in accounting policies during the period 1 July 2001 to 31 December 2001.

Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the 2001 DEFU, on 18 December 2001.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions on pages 125 to 138 of the 2001 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 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|------------------------------------|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| NOTE 1: Direct Taxation | | | | | | | |
| Income Tax | | | | | | | |
| Individuals | | | | | | | |
| 13,703 | 6,749 | Source deductions | 7,192 | 7,144 | 48 | 0.7 | 14,380 |
| 3,871 | 2,088 | Other persons | 2,076 | 1,999 | 77 | 3.9 | 3,921 |
| (790) | (422) | Refunds | (435) | (420) | (15) | (3.6) | (779) |
| 342 | 207 | Fringe benefit tax | 173 | 168 | 5 | 3.0 | 349 |
| 17,126 | 8,622 | Total Individuals | 9,006 | 8,891 | 115 | 1.3 | 17,871 |
| Corporate | | | | | | | |
| 4,954 | 2,806 | Gross companies | 2,539 | 2,577 | (38) | (1.5) | 4,625 |
| (123) | (40) | Refunds | (83) | (68) | (15) | (22) | (115) |
| 760 | 371 | Non-residents' income | 373 | 364 | 9 | 2.5 | 715 |
| 71 | 20 | Foreign-source dividends | 67 | 67 | - | - | 123 |
| 5,662 | 3,157 | Total Corporate | 2,896 | 2,940 | (44) | (1.5) | 5,348 |
| Withholding Taxes | | | | | | | |
| 990 | 457 | Residents' interest income | 505 | 478 | 27 | 5.6 | 982 |
| 83 | 24 | Residents' dividend income | (10) | (11) | 1 | 9.1 | 23 |
| 1,073 | 481 | Total Withholding Taxes | 495 | 467 | 28 | 6.0 | 1,005 |
| 23,861 | 12,260 | Total Income Tax | 12,397 | 12,298 | 99 | 0.8 | 24,224 |
| Other Direct Taxation | | | | | | | |
| 2 | 1 | Estate and gift duties | 1 | 1 | - | - | 2 |
| 2 | 1 | Total Other Direct Taxation | 1 | 1 | - | - | 2 |
| 23,863 | 12,261 | Total Direct Taxation | 12,398 | 12,299 | 99 | 0.8 | 24,226 |

NOTE 2: Indirect Taxation

| | | | | | | | |
|--------------------------------|--------------|--------------------------------------|--------------|--------------|-------------|--------------|---------------|
| Goods and Services Tax | | | | | | | |
| 15,133 | 7,384 | Gross goods and services tax | 7,975 | 8,034 | (59) | (0.7) | 15,517 |
| (6,007) | (3,143) | Refunds | (3,371) | (3,331) | (40) | (1.2) | (6,046) |
| 9,126 | 4,241 | Total Goods and Services Tax | 4,604 | 4,703 | (99) | (2.1) | 9,471 |
| Excise Duties | | | | | | | |
| 810 | 407 | Petroleum fuels | 417 | 429 | (12) | (2.8) | 825 |
| 764 | 402 | Tobacco products | 456 | 469 | (13) | (2.8) | 806 |
| 436 | 244 | Alcoholic beverages | 255 | 253 | 2 | 0.8 | 446 |
| 2,010 | 1,053 | Total Excise Duties | 1,128 | 1,151 | (23) | (2.0) | 2,077 |
| Other Indirect Taxation | | | | | | | |
| 648 | 364 | Customs duty | 361 | 336 | 25 | 7.4 | 656 |
| 532 | 260 | Road user charges | 282 | 272 | 10 | 3.7 | 551 |
| 206 | 100 | Gaming duties | 116 | 118 | (2) | (1.7) | 239 |
| 181 | 89 | Motor vehicle fees | 93 | 90 | 3 | 3.3 | 180 |
| 111 | 55 | Energy resources levy | 58 | 58 | - | - | 107 |
| 61 | 32 | Stamp, cheque and credit card duties | 30 | 36 | (6) | (16.7) | 64 |
| 1,739 | 900 | Total Other Indirect Taxation | 940 | 910 | 30 | 3.3 | 1,797 |
| 12,875 | 6,194 | Total Indirect Taxation | 6,672 | 6,764 | (92) | (1.4) | 13,345 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|--|---|---|---------------------------------|-----------------|-----------------|---------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| NOTE 3: Investment Income | | | | | | | |
| Interest Income | | | | | | | |
| | | Marketable securities, deposits, mortgages and cash balances | 226 | 195 | 31 | 15.9 | 351 |
| 463 | 238 | Advances | | | | | |
| | | Student loans | 164 | 165 | (1) | (0.6) | 334 |
| 289 | 140 | Other entities | 47 | 47 | - | - | 80 |
| 48 | 27 | | | | | | |
| 800 | 405 | Total Interest Income | 437 | 407 | 30 | 7.4 | 765 |
| Dividend Income | | | | | | | |
| | | Dividends from state-owned enterprises | | | | | |
| | | Electricity Corporation of New Zealand Limited | - | - | - | - | - |
| 45 | - | Genesis Power Limited | 16 | 16 | - | - | - |
| 15 | 7 | Landcorp Farming Limited | 10 | 10 | - | - | - |
| 19 | 11 | Meridian Energy Limited | 142 | 142 | - | - | - |
| 68 | 29 | Mighty River Power Limited | - | - | - | - | - |
| 21 | 21 | New Zealand Post Limited | - | - | - | - | - |
| 7 | - | Television New Zealand Limited | 4 | 4 | - | - | - |
| 32 | 15 | Transpower New Zealand Limited | 16 | 16 | - | - | - |
| 87 | 42 | Other | 8 | 8 | - | - | 365 |
| 10 | 7 | Housing New Zealand Corporation | 9 | 9 | - | - | - |
| 12 | 12 | Other dividends | 17 | 18 | (1) | (5.6) | - |
| 9 | 2 | | | | | | |
| 325 | 146 | Total Dividend Income | 222 | 223 | (1) | (0.4) | 365 |
| Other Investment Income | | | | | | | |
| | | Gains/(losses) on marketable securities and deposits | 16 | 62 | (46) | (74.2) | 62 |
| 102 | 76 | NZS Fund investment income | 4 | 4 | - | - | 14 |
| - | - | 2 GHz radio spectrum rights auction proceeds | - | - | - | - | - |
| 140 | - | Other | 3 | 1 | 2 | 200.0 | 1 |
| 2 | 1 | | | | | | |
| 244 | 77 | Total Other Investment Income | 23 | 67 | (44) | (65.7) | 77 |
| 1,369 | 628 | Total Investment Income | 682 | 697 | (15) | (2.2) | 1,207 |
| NOTE 4: Other Operational Revenue | | | | | | | |
| | | Recoveries from Accident Compensation Corporation | 55 | 53 | 2 | 3.8 | 105 |
| 106 | 55 | Contributions to Government Superannuation Fund | 10 | 7 | 3 | 42.9 | 50 |
| 16 | 11 | Petroleum royalties | 28 | 23 | 5 | 21.7 | 42 |
| 82 | 47 | Cost recovery income from fisheries | 15 | 15 | - | - | 30 |
| 29 | 15 | Income from Earthquake Commission | 5 | 5 | - | - | 10 |
| 10 | 5 | Other | 69 | 56 | 13 | 23.2 | 86 |
| 138 | 66 | | | | | | |
| 381 | 199 | Total Other Operational Revenue | 182 | 159 | 23 | 14.5 | 323 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|--|---|---|---------------------------------|-----------------|-----------------|------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| NOTE 5: Expenses by Input Type | | | | | | | |
| 13,274 | 6,616 | Subsidies and transfer payments (see analysis below) | 6,808 | 6,857 | 49 | 0.7 | 13,740 |
| 17,719 | 8,418 | Operating expenses (see analysis below) | 8,937 | 8,956 | 19 | 0.2 | 18,619 |
| | | Personnel | | | | | |
| 2,632 | 1,286 | Personnel expenses (excluding pension expenses) | 1,369 | 1,366 | (3) | (0.2) | 2,783 |
| 855 | 333 | GSF Pension expenses | 342 | 342 | - | - | 710 |
| - | - | Movement in GSF unfunded pension liability | - | - | - | - | 38 |
| 56 | 31 | Other pension expenses | 34 | 28 | (6) | (21.4) | 53 |
| | | Depreciation | | | | | |
| 751 | 362 | Physical assets | 365 | 371 | 6 | 1.6 | 786 |
| 174 | 42 | State highways | 90 | 90 | - | - | 179 |
| 282 | 131 | Rental and leasing costs | 144 | 139 | (5) | (3.6) | 258 |
| 7 | 3 | Loss/(gain) on sale of assets | 1 | 1 | - | - | 1 |
| 2,483 | 1,274 | Finance costs (see analysis below) | 1,194 | 1,198 | 4 | 0.3 | 2,345 |
| | | Net foreign-exchange (gains)/ losses on liabilities | (250) | 11 | 261 | - | 11 |
| 404 | 70 | Net foreign-exchange losses/ (gains) on assets | 281 | (10) | (291) | - | (10) |
| (451) | (82) | Provision for future initiatives | - | - | - | - | 90 |
| - | - | | | | | | |
| 38,186 | 18,484 | Total Expenses | 19,315 | 19,349 | 34 | 0.2 | 39,603 |
| Analysis of Subsidies and Transfer Payments | | | | | | | |
| | | Social Assistance Grants | | | | | |
| 5,273 | 2,640 | New Zealand superannuation | 2,729 | 2,730 | 1 | - | 5,452 |
| 1,444 | 723 | Domestic purposes benefit | 745 | 746 | 1 | 0.1 | 1,450 |
| 1,849 | 939 | Community wage | - | - | - | - | - |
| - | - | Unemployment benefit | 716 | 724 | 8 | 1.1 | 1,484 |
| 878 | 454 | Family support | 446 | 455 | 9 | 2.0 | 879 |
| 391 | 199 | Student allowances | 207 | 208 | 1 | 0.5 | 417 |
| 3,073 | 1,493 | Other social assistance grants | 1,804 | 1,817 | 13 | 0.7 | 3,653 |
| 115 | 65 | Subsidies | 54 | 63 | 9 | 14.3 | 145 |
| | | Other Transfer Payments | | | | | |
| 226 | 93 | Official development assistance | 93 | 99 | 6 | 6.1 | 227 |
| 25 | 10 | Other | 14 | 15 | 1 | 6.7 | 33 |
| 13,274 | 6,616 | Total Subsidies and Transfer Payments | 6,808 | 6,857 | 49 | 0.7 | 13,740 |
| Analysis of Operating Expenses | | | | | | | |
| | | Education purchases | | | | | |
| 331 | 166 | Early childhood education | 177 | 176 | (1) | (0.6) | 356 |
| 3,505 | 1,625 | Primary and secondary education | 1,827 | 1,834 | 7 | 0.4 | 3,683 |
| 1,508 | 746 | Tertiary education and training | 828 | 834 | 6 | 0.7 | 1,685 |
| 6,807 | 3,412 | Health purchases | 3,466 | 3,482 | 16 | 0.5 | 7,072 |
| 467 | 229 | Science purchases | 234 | 234 | - | - | 478 |
| 5,101 | 2,240 | Other operating expenses | 2,405 | 2,396 | (9) | (0.4) | 5,345 |
| 17,719 | 8,418 | Total Operating Expenses | 8,937 | 8,956 | 19 | 0.2 | 18,619 |
| Analysis of Finance Costs | | | | | | | |
| | | Interest | | | | | |
| 2,035 | 1,033 | New Zealand dollars | 1,008 | 1,017 | 9 | 0.9 | 2,011 |
| 428 | 231 | Foreign currencies | 164 | 163 | (1) | (0.6) | 304 |
| 20 | 10 | Other finance costs | 22 | 18 | (4) | (22.2) | 30 |
| 2,483 | 1,274 | Total Finance Costs | 1,194 | 1,198 | 4 | 0.3 | 2,345 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$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 | | | | | | | |
| 163 | 152 | Housing New Zealand Corporation | 454 | 424 | 30 | 7.1 | 645 |
| 45 | 43 | Solid Energy New Zealand Limited | 26 | 26 | - | - | - |
| 29 | 39 | Residual Health Management Unit | 29 | 29 | - | - | - |
| 24 | - | District health boards | 24 | 25 | (1) | (4.0) | 274 |
| - | 3 | Terralink NZ Limited | - | - | - | - | 3 |
| 261 | 237 | Total Advances to state-owned enterprises and Crown entities | 533 | 504 | 29 | 5.8 | 922 |
| Other Advances | | | | | | | |
| 4,143 | 3,669 | Student loans | 4,282 | 4,376 | (94) | (2.1) | 4,870 |
| - | - | Air New Zealand Limited | 300 | 300 | - | - | - |
| 118 | 117 | Contact Energy Limited | 48 | 48 | - | - | 48 |
| 38 | 39 | Maori development rural lending | 40 | 40 | - | - | 43 |
| 29 | 26 | Forestry encouragement loans | 30 | 30 | - | - | 30 |
| 8 | 8 | Catchment authorities | 8 | 8 | - | - | - |
| 18 | 22 | Other | 16 | 14 | 2 | 14.3 | 113 |
| 4,354 | 3,881 | Total Other Advances | 4,724 | 4,816 | (92) | (1.9) | 5,104 |
| 4,615 | 4,118 | Total Advances | 5,257 | 5,320 | (63) | (1.2) | 6,026 |

| NOTE 7: Receivables | | | | | | | |
|----------------------------|--------------|---|--------------|--------------|--------------|--------------|--------------|
| 4,962 | 5,840 | Taxes receivable | 5,960 | 6,258 | (298) | (4.8) | 4,961 |
| 1,024 | 1,086 | Accounts receivable | 1,040 | 994 | 46 | 4.6 | 950 |
| | | Receivable from the sale and purchase of Maui gas | 102 | 107 | (5) | (4.7) | 116 |
| 111 | 119 | Prepayments | 165 | 148 | 17 | 11.5 | 98 |
| 6,197 | 7,192 | Total Receivables | 7,267 | 7,507 | (240) | (3.2) | 6,125 |

NOTES TO THE FINANCIAL STATEMENTS

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

| | Investment as at 1 July 2001 \$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 2001 \$m |
|---|--|-----------------------|----------------------------------|--|---|---|---|
| State-owned enterprises | 5,554 | 238 | (196) | 42 | - | 65 | 5,661 |
| Crown entities | 8,523 | 183 | (10) | 173 | - | 107 | 8,803 |
| Total State-owned Enterprises and Crown Entities | 14,077 | 421 | (206) | 215 | - | 172 | 14,464 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---|---|---|---------------------------------|-----------------|-----------------|--------------|--------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | \$m |
| NOTE 9: Other Investments | | | | | | | |
| 128 | 118 | International Bank for Reconstruction and Development | 125 | 128 | (3) | (2.3) | 128 |
| 72 | 78 | Public Trust Office | 72 | 72 | - | - | 47 |
| 117 | 107 | Asian Development Bank | 114 | 129 | (15) | (11.6) | 129 |
| 37 | 68 | Other | 47 | 49 | (2) | (4.1) | 167 |
| 354 | 371 | Total Other Investments | 358 | 378 | (20) | (5.3) | 471 |
| NOTE 10: Physical Assets | | | | | | | |
| By Type | | | | | | | |
| Cost or Valuation | | | | | | | |
| 1,844 | 1,860 | Land | 1,877 | 1,857 | 20 | 1.1 | 1,840 |
| 464 | 431 | Properties intended for sale | 445 | 444 | 1 | 0.2 | 447 |
| 8,654 | 8,325 | Buildings | 8,871 | 8,860 | 11 | 0.1 | 9,156 |
| 2,686 | 2,892 | Specialist military equipment | 2,733 | 2,726 | 7 | 0.3 | 2,829 |
| 2,213 | 2,210 | Other plant and equipment | 2,329 | 2,275 | 54 | 2.4 | 2,442 |
| 2,688 | 2,637 | Other assets | 2,695 | 2,688 | 7 | 0.3 | 2,683 |
| 18,549 | 18,355 | Total Cost or Valuation | 18,950 | 18,850 | 100 | 0.5 | 19,397 |
| Accumulated Depreciation | | | | | | | |
| 729 | 568 | Buildings | 898 | 903 | 5 | 0.6 | 1,076 |
| 421 | 406 | Specialist military equipment | 497 | 499 | 2 | 0.4 | 590 |
| 1,292 | 1,261 | Other plant and equipment | 1,355 | 1,365 | 10 | 0.7 | 1,421 |
| 5 | 2 | Other assets | 7 | 7 | - | - | 7 |
| 2,447 | 2,237 | Total Accumulated Depreciation | 2,757 | 2,774 | 17 | 0.6 | 3,094 |
| Net Book Value | | | | | | | |
| 1,844 | 1,860 | Land | 1,877 | 1,857 | 20 | 1.1 | 1,840 |
| 464 | 431 | Properties intended for sale | 445 | 444 | 1 | 0.2 | 447 |
| 7,925 | 7,757 | Buildings | 7,973 | 7,957 | 16 | 0.2 | 8,080 |
| 2,265 | 2,486 | Specialist military equipment | 2,236 | 2,227 | 9 | 0.4 | 2,239 |
| 921 | 949 | Other plant and equipment | 974 | 910 | 64 | 7.0 | 1,021 |
| 2,683 | 2,635 | Other assets | 2,688 | 2,681 | 7 | 0.3 | 2,676 |
| 16,102 | 16,118 | Total Net Book Value | 16,193 | 16,076 | 117 | 0.7 | 16,303 |
| Movements since 30 June 2001 | | | | | | | |
| Cost or Valuation | | | | | | | |
| 18,507 | 18,507 | Opening balance | 18,549 | 18,549 | - | - | 18,549 |
| 905 | 278 | Net additions | 352 | 301 | 51 | 16.9 | 848 |
| (863) | (430) | Net Revaluations | 49 | - | 49 | - | - |
| 18,549 | 18,355 | Total Cost or Valuation | 18,950 | 18,850 | 100 | 0.5 | 19,397 |
| Accumulated Depreciation | | | | | | | |
| 2,535 | 2,535 | Opening balance | 2,447 | 2,447 | - | - | 2,447 |
| (145) | (278) | Disposals | (54) | (50) | 4 | 8.0 | (145) |
| 751 | 362 | Depreciation charged for the period | 365 | 371 | 6 | 1.6 | 786 |
| (694) | (382) | Net Revaluations | (1) | 6 | 7 | 116.7 | 6 |
| 2,447 | 2,237 | Total Accumulated Depreciation | 2,757 | 2,774 | 17 | 0.6 | 3,094 |
| 16,102 | 16,118 | Net Physical Assets | 16,193 | 16,076 | 117 | 0.7 | 16,303 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | |
|---|---|---------------------------------------|---------------------------------|---------------|------------|------------|---------------|
| | | | Annual Forecast | | | | |
| | | | Actual | Forecast | Variance | | Forecast |
| | | | \$m | \$m | \$m | % | \$m |
| NOTE 11: State Highways | | | | | | | |
| Cost or Valuation | | | | | | | |
| 8,911 | 8,911 | Opening balance | 11,055 | 11,055 | - | - | 11,055 |
| 1,650 | - | Recognition adjustment | - | - | - | - | - |
| 300 | 94 | Net additions | 128 | 128 | - | - | 255 |
| 194 | - | Net revaluations | - | - | - | - | - |
| 11,055 | 9,005 | Total Cost or Valuation | 11,183 | 11,183 | - | - | 11,310 |
| Accumulated Depreciation | | | | | | | |
| - | - | Opening balance | - | - | - | - | - |
| 174 | 42 | Depreciation charged for the period | 90 | 90 | - | - | 179 |
| (174) | - | Net revaluations | - | - | - | - | - |
| - | 42 | Total Accumulated Depreciation | 90 | 90 | - | - | 179 |
| 11,055 | 8,963 | Net State Highways | 11,093 | 11,093 | - | - | 11,131 |
| NOTE 12: Payables and Provisions | | | | | | | |
| 1,907 | 1,868 | Taxes repayable | 1,855 | 1,929 | 74 | 3.8 | 2,397 |
| 1,631 | 1,519 | Accounts payable | 1,410 | 1,474 | 64 | 4.3 | 382 |
| 1,193 | 669 | Accruals and provisions | 867 | 847 | (20) | (2.4) | 1,938 |
| | | National Provident Fund | | | | | |
| 686 | 480 | guarantee | 686 | 686 | - | - | 686 |
| | | National Provident Fund Board | | | | | |
| - | 35 | indemnity | - | - | - | - | - |
| | | Provision for employee | | | | | |
| 414 | 376 | entitlements | 417 | 413 | (4) | (1.0) | 408 |
| 5,831 | 4,947 | Total Payables and Provisions | 5,235 | 5,349 | 114 | 2.1 | 5,811 |

NOTES TO THE FINANCIAL STATEMENTS

| Prior Year 30 June 2001 \$m | Actual 31 December 2000 \$m | | Current Year Actual vs Forecast | | | | Annual |
|---|---|---|---------------------------------|--------------|-----------|------------|--------------|
| | | | Actual | Forecast | Variance | | Forecast |
| | | | \$m | \$m | \$m | % | \$m |
| NOTE 13: Revaluation Reserve | | | | | | | |
| 8,201 | 8,201 | Opening Balance | 8,007 | 8,007 | - | - | 8,007 |
| Net Revaluations | | | | | | | |
| 368 | - | State highways | - | - | - | - | - |
| 85 | (48) | Land and buildings | 46 | (6) | 52 | - | (6) |
| (258) | - | Specialist military equipment | - | - | - | - | - |
| 4 | - | Other assets | 4 | - | 4 | - | - |
| (378) | 2 | State-owned enterprises and Crown entities | - | - | - | - | - |
| (179) | (46) | Total Net Revaluations | 50 | (6) | 56 | - | (6) |
| (15) | (8) | Transfers to accumulated operating balance | (3) | (1) | (2) | (200) | (1) |
| 8,007 | 8,147 | Closing Revaluation Reserve | 8,054 | 8,000 | 54 | 0.7 | 8,000 |