

Financial Statements of
the Government of
New Zealand
(Unaudited)

For the Six Months
Ended 31 December 1999



24 February 2000

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Ministerial Statement

The Crown financial statements to December show the key fiscal indicators are running slightly ahead of forecasts.

- The net surplus was \$857 million, \$174 million ahead of forecast
- The Crown balance was \$7,282 million, \$534 million ahead of forecast
- Net Crown debt was \$22,513 million, \$1,167 million lower than forecast

The economy is experiencing a strong surge of growth which the Government is developing policies to support. These involve:

- increasing expenditure in priority areas, in particular, investing in New Zealand's productive capacity, while
- continuing to run fiscal surpluses

This Government is committed to increased spending to meet pressures in priority areas. It has already demonstrated this commitment by returning the superannuation wage floor to previous levels, and reducing costs to students through changes to the student loan scheme.

The importance of running fiscal surpluses cannot be understated, particularly with New Zealand's large current account deficit. Surpluses allow the Government to cushion the effects of any disruptive swings in interest and exchange rates should there be a sharp change in investor confidence or a substantial economic shock.

By taking a focussed approach, we are determined to support medium term economic growth to continue to address social needs. That way we can meet our responsibilities as a Government for New Zealanders both now and in the future.

Hon Dr Michael Cullen
Treasurer/Minister of Finance
16 February 2000



COMMENTARY

Overview - Six Months to December 1999

Key Results	December 1999	December 1999	Variance		June 2000	June 1999
	Actual YTD	Forecast YTD	\$m	%	Forecast	Actual
Operating balance	857	683	174	25.5	14	1,777
Net worth	7,282	6,748	534	7.9	6,079	6,022
Net Crown debt	22,513	23,680	1,167	4.9	23,322	21,701

The December financial statements are compared to forecasts based on the 1999 Pre-Election Economic and Fiscal Update.

The **operating balance** for the six months ended 31 December 1999 was \$857 million, \$174 million higher than forecast. Total revenue was ahead of forecast (\$124 million), and net surpluses from State-owned enterprises (SOEs) and Crown entities were ahead of forecast (\$68 million).

The **Crown balance** (net worth) at 31 December 1999 was \$7,282 million, \$534 million higher-than-forecast. The improvement over forecast was due to:

- asset revaluations of \$360 million, which are not forecast as a matter of policy; and
- the higher-than forecast operating surplus to December of \$174 million.

This is an increase of \$1,260 million in the Crown balance since 30 June 1999 and reflects the year-to-date \$857 million operating surplus, together with asset revaluations, which have occurred since 30 June 1999, of \$403 million.

Net Crown debt was \$1,167 million lower-than-forecast. This variance against forecast was mainly due to the issue of circulating currency of \$1,139 million, which is expected to largely reverse by year end. Net Crown debt was 22.4% of GDP, compared to a forecast of 23.5%. Adjusted for the timing effect of issues of circulating currency (which is not forecast as a matter of policy), net Crown debt would be 23.5%, which is consistent with forecast.

Net Crown debt, as expected, has risen over the half year period, increasing by around \$0.8 billion from \$21.7 billion at 30 June 1999 to \$22.5 billion at 31 December 1999. This largely reflects a cash operating deficit of around \$1.5 billion, along with net purchases of physical assets of \$0.5 billion, partly offset by \$1.2 billion issues of circulating currency.

Financial Performance

The **operating balance** for the six months ended 31 December 1999 was made up as follows:

Operating Balance	Actual	Forecast	Variance	
	\$million	\$million	\$million	%
Revenue	18,436	18,312	124	0.7
Expenses	(17,720)	(17,702)	(18)	(0.1)
SOEs and Crown entities	141	73	68	93.2
Operating balance	857	683	174	25.5

Revenue

Overall revenue was \$124 million (0.7%) higher than forecast. Tax revenue was \$31 million (0.2%) above forecast, while non-tax revenue was \$93 million (7.2%) above forecast.

Tax Revenue

Total tax revenue for the six months to the end of December was \$31 million (0.2%) higher than forecast, the more significant components being:

- **Net companies taxation** was \$299 million (13.3%) higher than forecast. This variance is expected to be largely sustained for full year.

Variations Against Forecast	\$million
Net companies taxation	299
Other persons (net of refunds)	(136)
Non-residents' withholding tax	(106)
Excise duties	71
Goods and Services taxation	(70)
Other taxation	(27)
Total Taxation Variance	31

- **Other persons (net of refunds)** was \$136 million (9.4%) higher than forecast. The variance represents timing differences and is expected to reverse in the following months.
- **Non-residents' withholding tax** was \$106 million (24.7%) higher than forecast. This variance was mainly due to the timing of dividend payments and is likely to reverse out in the coming months.
- **Excise duties** were \$71 million (6.6%) above forecast. This was due largely to excise on tobacco products, which is \$55 million ahead of forecast. Increased production to avoid the higher excise rates indexed from 1 December 1999, along with stocking for Y2K preparedness, are behind this variance.
- **Goods and Services taxation** was \$70 million (1.6%) above forecast which is within normal forecast variability for this tax type.

Non-tax Revenue

Other non-tax revenue was \$93 million ahead of forecast, largely due to:

- higher than forecast interest income on marketable securities and deposits (\$47 million); and
- higher than forecast other operational revenue (\$41 million), largely due to a \$25 million payment as part of the settlement between the Crown and IBM corporation relating to the INCIS project.

Expenses

Expenses for the period were \$18 million (0.1%) higher than forecast.

Total expenses, excluding net foreign-exchange gains, were \$14 million higher than forecast, consisting of a number of small offsetting items.

State-Owned Enterprises (SOEs) and Crown Entities

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

The \$62 million higher-than-forecast SOEs and Crown entities surplus was largely owing to around \$50 million higher than forecast operating surpluses across the electricity SOEs.

SOEs and Crown Entities	Actual \$million	Forecast \$million	Variance
SOEs			
Surplus	225	157	68
Distributions	(227)	(245)	18
	(2)	(88)	86
Crown Entities			
Surplus	247	253	(6)
Distributions	(104)	(92)	(12)
	143	161	(18)
Net Surplus	141	73	68

Net Cash Flows

Net cash flows for the six months ended 31 December 1999 were as follows:

Net Cash Flows	Actual	Forecast	Variance	
	\$million	\$million	\$million	%
Operating activities	(1,521)	(1,228)	(293)	(23.9)
Investing activities (excluding net sales/ (purchases) of marketable securities and deposits)	(667)	(1,005)	338	33.6
Amount required to be financed	(2,188)	(2,233)	45	2.0
Net sales/ (purchases) of marketable securities and deposits	478	1,729	(1,251)	(72.4)
Financing activities	1,496	367	1,129	307.6
Net Movement in Cash	(214)	(137)	(77)	(56.2)

The higher-than-forecast variance of \$293 million for **net cash outflows from operating activities** was largely due to higher-than-forecast cash disbursed to other outputs (\$186 million or 4.8%) mainly reflecting the early payments made in the Health sector as part of its Y2K preparedness.

The \$338 million lower-than-forecast variance for **net cash inflows from investing activities** (excluding net sales/ (purchases) of marketable securities and deposits) was largely due to lower than forecast net purchases of physical assets (\$242 million).

Overall, the **net cashflows from operating and investing** was an outflow of \$2,188 million compared with a forecast outflow of \$2,233 million, a variance of \$45 million.

As a result, **the amount required to be financed** was in line with forecast.

Financial Position

The Statement of Financial Position recording the Crown's assets, liabilities and net worth as at 31 December 1999 was made up of:

Financial Position	Actual	Forecast	Variance	
	\$million	\$million	\$million	%
SOEs and Crown entities	13,269	13,214	55	0.4
Physical assets	15,691	15,428	263	1.7
Other assets	16,641	16,472	169	1.0
	45,601	45,114	487	1.1
Net Crown debt	22,513	23,680	1,167	4.9
Other Liabilities	15,806	14,686	1,120	7.6
	38,319	38,366	47	0.1
Crown Balance (net worth)	7,282	6,748	534	7.9

The Crown's investment in **Physical assets** was \$263 million higher than forecast. This was largely due to a \$360 million increase in the value of the school property portfolio arising from the annual revaluation exercise. Asset revaluations are not forecast as a matter of policy.

Net Crown debt was \$1,167 million lower than forecast largely due to:

- Lower-than-forecast net purchases of physical assets (\$242 million); and
- The issue of circulating currency (\$1,139 million). While this increase in currency was expected (as part of the Reserve Bank's Y2K preparedness), it is not forecast as a matter of policy. Issues of circulating currency are forecast at the level set when the forecasts are finalised.

Net Crown Debt	Actual \$m	Forecast \$m	Variance \$m
Gross Borrowings	37,407	37,367	(40)
Less			
Marketable securities/deposits	11,142	9,819	1,323
Advances and cash	3,752	3,868	(116)
Financial Assets	14,894	13,687	1,207
Net Crown Debt	22,513	23,680	1,167
Net Crown Debt to GDP Ratio	22.4%	23.5%	1.1%

These items were offset by higher-than-forecast cash disbursed to operations (\$245 million).

All the above factors are timing, and are expected to largely reverse by year-end.

Comparison with Previous Year

	December YTD				Year Ended 30 June			
	1999/2000 \$m	1998/99 \$m	\$m	%	1998/99 \$m	1997/98 \$m	1996/97 \$m	1995/96 \$m
Operating Statement								
Total taxation revenue	17,059	16,548	511	3.1	32,156	32,982	31,916	32,233
% of GDP	17.0%	16.9%			32.3%	37.0%	33.2%	34.9%
Total non tax revenue	1,377	1,532	(155)	(10.1)	4,201	2,599	2,862	2,826
Total Revenue	18,436	18,080	356	2.0	36,357	35,581	34,778	35,059
% of GDP	18.3%	18.4%			36.5%	39.9%	36.2%	38.0%
Social security and welfare	6,441	6,470	29	0.4	12,906	12,509	11,881	11,229
GSF pension expenses	315	343	28	8.2	1,132	494	739	1,011
Health	3,409	3,281	(128)	(3.9)	6,573	6,001	5,626	5,228
Education	3,056	2,895	(161)	(5.6)	5,899	5,714	5,335	4,949
Core government services	816	727	(89)	(12.2)	1,705	1,562	1,667	1,565
Other	2,517	2,378	(139)	(5.8)	6,273	5,608	5,360	5,672
Finance costs	1,188	1,343	155	11.5	2,516	2,804	3,072	3,703
Net foreign exchange (gains) losses	(22)	(67)	(45)	(67.2)	(47)	13	12	(603)
Total Expenses	17,720	17,370	(350)	(2.0)	35,825	34,211	32,953	31,743
% of GDP	17.6%	17.7%			36.0%	38.4%	34.3%	34.4%
SOE/ Crown entities net surplus	141	463	(322)	(69.5)	1,245	1,164	83	(2)
Operating Balance	857	1,173	(316)	(26.9)	1,777	2,534	1,908	3,314
% of GDP	0.9%	1.2%			1.8%	2.8%	2.0%	3.6%
Financial Position								
SOEs and Crown entities	13,269	19,201	(5,932)	(30.9)	12,917	19,022	18,483	18,487
Physical assets	15,691	15,236	455	3.0	15,258	14,962	14,502	13,925
Other assets	31,535	28,686	2,849	9.9	30,048	28,372	24,983	26,509
Total Assets	60,495	63,123	(2,628)	(4.2)	58,223	62,356	57,968	58,921
Total Liabilities	53,213	51,746	(1,467)	(2.8)	52,201	52,435	50,498	55,577
Crown Balance (net worth)	7,282	11,377	(4,095)	(36.0)	6,022	9,921	7,470	3,344
% of GDP	7.2%	11.6%			6.1%	11.1%	7.8%	3.6%
Net Crown debt	22,513	25,021	(2,508)	(10.0)	21,701	24,069	25,324	28,637
% of GDP	22.4%	25.5%			21.8%	27.0%	26.4%	31.0%
GDP	100,589	98,193			99,505	89,140	96,031	92,347

Taxation revenue was \$511 million higher than December 1998, largely reflecting the impact of higher economic growth.

Non tax revenue was \$155 million lower than the previous year, largely reflecting the gains on sale of Auckland and Wellington airports in 1998/99.

Health expenses were \$128 million higher than the previous year, largely due to policy initiatives, including reducing the elective services backlog.

Education expenses were \$161 million higher than last year, largely due to increased salary costs as a result of the 1998/99 teachers pay settlement, increased spending on special education, and other initiatives.

The investment in SOEs and Crown entities is significantly lower than the previous year. This is due primarily to the recognition of the future cost of past ACC claims as a liability.

Net Crown debt has reduced primarily due to the sale proceeds from asset sales (such as Contact Energy Limited) being applied to debt reduction. This was reflected in higher other assets above, due to the resulting higher holdings of marketable securities and deposits.



FINANCIAL STATEMENTS

Statement of Responsibility

I accept responsibility for the integrity of these Financial Statements, the information they contain and their compliance with the Public Finance Act 1989.

In my opinion, these Financial Statements fairly reflect the financial position of the Crown as at 31 December 1999 and its operations for the six months ended on that date.

Hon Dr Michael Cullen
Treasurer/Minister of Finance
16 February 2000

These Financial Statements have been prepared by the Treasury in accordance with the provisions of the Public Finance Act 1989. The Financial Statements comply with generally accepted accounting practice.

The Treasury is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all public financial resources by the Crown. To the best of my knowledge, this system of internal control has operated adequately throughout the reporting period.

Dr A E Bollard
Secretary to the Treasury
16 February 2000

Statement of Financial Performance
for the six months ended 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Note	Current Year Actual \$m	Current Year Forecast \$m	Variance \$m	%	Annual Forecast \$m
Revenue								
Levied through the Crown's Sovereign Power								
20,289	10,715	Direct taxation	1	10,934	10,924	10	0.1	21,041
11,867	5,833	Indirect taxation	2	6,125	6,104	21	0.3	12,319
32,156	16,548	Total taxation revenue		17,059	17,028	31	0.2	33,360
300	143	Compulsory fees, fines, penalties and levies		169	144	25	17.4	287
32,456	16,691	Total Revenue Levied through the Crown's Sovereign Power		17,228	17,172	56	0.3	33,647
Earned through the Crown's Operations								
2,901	859	Investment income	3	689	680	9	1.3	1,146
683	330	Sales of goods and services		327	316	11	3.5	670
401	212	Other operational revenue	4	192	144	48	33.3	292
(84)	(12)	Unrealised (losses)/gains arising from revaluations of commercial forests		-	-	-	-	-
3,901	1,389	Total Revenue Earned through the Crown's Operations		1,208	1,140	68	6.0	2,108
36,357	18,080	Total Revenue		18,436	18,312	124	0.7	35,755
Expenses								
By functional classification								
12,906	6,470	Social security and welfare	5	6,441	6,444	3	-	12,963
1,132	343	GSF pension expenses		315	314	(1)	(0.3)	656
6,573	3,281	Health		3,409	3,405	(4)	(0.1)	6,816
5,899	2,895	Education		3,056	3,039	(17)	(0.6)	6,373
1,705	727	Core government services		816	814	(2)	(0.2)	1,677
1,499	730	Law and order		739	723	(16)	(2.2)	1,452
1,030	503	Defence		602	630	28	4.4	1,176
1,029	376	Transport and communications		418	432	14	3.2	1,075
858	431	Economic and industrial services		399	382	(17)	(4.5)	809
334	159	Primary services		127	138	11	8.0	307
316	138	Heritage, culture and recreation		194	198	4	2.0	388
41	22	Housing and community development		18	24	6	25.0	48
34	19	Other		20	6	(14)	(233.3)	149
2,516	1,343	Finance costs	5	1,188	1,179	(9)	(0.8)	2,310
(47)	(67)	Net foreign-exchange (gains)/losses		(22)	(26)	(4)	(15.4)	(26)
-	-	Provision for future initiatives		-	-	-	-	10
35,825	17,370	Total Expenses		17,720	17,702	(18)	(0.1)	36,183
532	710	Revenue Less Expenses		716	610	106	17.4	(428)
1,245	463	Net surplus, less distributions attributable to State-owned enterprises and Crown entities	8	141	73	68	93.2	442
1,777	1,173	Operating Balance		857	683	174	25.5	14

The accompanying Notes are an integral part of these Statements.

Statement of Financial Position
as at 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Note	Current Year Actual vs Forecast			Annual Forecast	
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets								
230	128	Cash and bank balances		18	93	(75)	(80.6)	10
11,153	8,998	Marketable securities and deposits		11,142	9,819	1,323	13.5	8,136
3,628	3,564	Advances	6	3,734	3,775	(41)	(1.1)	4,008
5,250	6,450	Receivables	7	6,825	6,637	188	2.8	5,231
321	316	Inventories		339	321	18	5.6	323
State-owned enterprises and								
12,917	19,201	Crown entities	8	13,269	13,214	55	0.4	13,703
270	255	Other investments	9	273	280	(7)	(2.5)	278
15,258	15,236	Physical assets	10	15,691	15,428	263	1.7	15,592
422	561	Commercial forests		393	422	(29)	(6.9)	422
8,770	8,407	State highways	11	8,808	8,808	-	-	8,847
4	7	Intangible assets		3	4	(1)	(25.0)	4
58,223	63,123	Total Assets		60,495	58,801	1,694	2.9	56,554
Liabilities								
5,005	3,779	Payables and provisions	12	4,167	4,186	19	0.5	4,496
1,960	2,160	Currency issued		3,115	1,976	(1,139)	(57.6)	1,976
36,712	37,711	Borrowings		37,407	37,367	(40)	(0.1)	35,476
8,524	8,096	Pension liabilities		8,524	8,524	-	-	8,527
52,201	51,746	Total Liabilities		53,213	52,053	(1,160)	(2.2)	50,475
Total Assets Less								
6,022	11,377	Total Liabilities		7,282	6,748	534	7.9	6,079
Crown Balance								
(1,197)	4,467	Accumulated operating balance		(300)	(514)	214	41.6	(1,183)
7,219	6,910	Revaluation reserve	13	7,582	7,262	320	4.4	7,262
6,022	11,377	Crown Balance		7,282	6,748	534	7.9	6,079

The accompanying Notes are an integral part of these Statements.

Statement of Movements in Equity
for the six months ended 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
9,921	9,921	Opening Crown balance	6,022	6,022	-	-	6,022
1,777	1,173	Operating balance for the period	857	683	174	25.5	14
466	283	Net revaluations	403	43	360	-	43
2,243	1,456	Total Recognised Revenues and Expenses	1,260	726	534	73.6	57
(6,142)	-	Accident Rehabilitation and Compensation Insurance Corporation recognition policy change	-	-	-	-	-
6,022	11,377	Closing Crown Balance	7,282	6,748	534	7.9	6,079

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows
for the six months ended 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$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							
12,328	6,074	Source deductions	6,293	6,348	(55)	(0.9)	12,666
3,566	1,685	Other persons	1,718	1,680	38	2.3	3,516
(1,189)	(658)	Refunds	(646)	(604)	(42)	(7.0)	(1,036)
329	163	Fringe benefit tax	152	158	(6)	(3.8)	326
15,034	7,264	Total Individuals	7,517	7,582	(65)	(0.9)	15,472
Companies							
4,467	2,417	Gross companies	2,306	2,380	(74)	(3.1)	4,739
(646)	(359)	Refunds	(312)	(370)	58	15.7	(602)
3,821	2,058	Total Companies	1,994	2,010	(16)	(0.8)	4,137
1,654	868	Withholding taxes	716	711	5	0.7	1,453
2	1	Other direct taxation	1	1	-	-	2
20,511	10,191	Total Direct Taxation	10,228	10,304	(76)	(0.7)	21,064
Indirect Taxation							
Goods and services tax							
12,628	5,432	Gross goods and services tax	5,883	5,890	(7)	(0.1)	13,204
(4,194)	(2,025)	Refunds	(2,342)	(2,244)	(98)	(4.4)	(4,487)
8,434	3,407	Total goods and services tax	3,541	3,646	(105)	(2.9)	8,717
1,864	939	Excise duties	1,057	1,036	21	2.0	1,995
1,575	734	Other indirect taxation	795	727	68	9.4	1,532
11,873	5,080	Total Indirect Taxation	5,393	5,409	(16)	(0.3)	12,244
32,384	15,271	Total Taxation Receipts	15,621	15,713	(92)	(0.6)	33,308
251	122	Compulsory fees, fines, penalties and levies	150	127	23	18.1	263
Other Receipts							
1,034	488	Interest, profits and dividends	567	573	(6)	(1.0)	941
642	315	Sales of goods and services	323	306	17	5.6	631
372	194	Other operating receipts	155	145	10	6.9	335
2,048	997	Total Other Receipts	1,045	1,024	21	2.1	1,907
34,683	16,390	Total cash provided from operations	16,816	16,864	(48)	(0.3)	35,478
Cash was disbursed to							
4,536	2,259	Departmental outputs	2,379	2,381	2	0.1	4,678
14,402	7,590	Other outputs	7,838	7,652	(186)	(2.4)	15,570
2,398	1,327	Finance costs	1,300	1,257	(43)	(3.4)	2,447
134	80	Subsidies	67	71	4	5.6	156
Current transfers							
12,601	6,479	Social assistance grants	6,652	6,616	(36)	(0.5)	12,730
220	91	Other transfers	101	115	14	12.2	231
-	-	Provision for future initiatives	-	-	-	-	10
34,291	17,826	Total cash disbursed to operations	18,337	18,092	(245)	(1.4)	35,822
392	(1,436)	Net Cash Flows From Operations	(1,521)	(1,228)	(293)	(23.9)	(344)

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
for the six months ended 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
392	(1,436)	Subtotal (brought forward)	(1,521)	(1,228)	(293)	(23.9)	(344)
		Cash Flows From Investing Activities					
		Cash was provided from					
2,738	463	Net (purchase)/sale of investments	(153)	(167)	14	8.4	3,104
(1,184)	1,708	Net (purchase)/sale of marketable securities and deposits	478	1,729	(1,251)	(72.4)	-
239	80	Sale of physical assets	90	15	75	-	150
1,793	2,251	Total cash provided	415	1,577	(1,162)	(73.7)	3,254
		Cash was disbursed to					
179	151	Net increase in advances	4	86	82	95.3	189
1,142	525	Purchase of physical assets	600	767	167	21.8	1,561
1,321	676	Total cash disbursed	604	853	249	29.2	1,750
472	1,575	Net Cash Flows From Investing Activities	(189)	724	(913)	(126.1)	1,504
864	139	Net Cash Flows From Operating and Investing Activities	(1,710)	(504)	(1,206)	(239.3)	1,160
		Cash Flows From Financing Activities					
		Cash was Provided From					
151	351	Issues of circulating currency	1,155	16	1,139	-	16
4,756	2,838	Issues of Government stock	1,123	1,056	67	6.3	-
		Other New Zealand-dollar borrowing ¹	914	-	914	-	101
1,124	725	Borrowing in foreign currencies ¹	604	-	604	-	-
2,703	2,353						
8,734	6,267	Total Cash Provided	3,796	1,072	2,724	254.1	117
		Cash was Disbursed to					
1,882	1,838	Repayment of Government stock	330	-	(330)	-	948
3,915	990	Repayment of other New Zealand-dollar borrowing ¹	625	297	(328)	(110.4)	-
3,763	3,636	Repayment of foreign-currency borrowing ¹	1,345	408	(937)	(229.7)	549
9,560	6,464	Total Cash Disbursed	2,300	705	(1,595)	(226.2)	1,497
(826)	(197)	Net Cash Flows From Financing Activities	1,496	367	1,129	307.6	(1,380)
38	(58)	Net Movement in Cash	(214)	(137)	(77)	(56.2)	(220)
171	171	Opening Cash Balance	230	230	-	-	230
21	15	Foreign-exchange gains/(losses) on opening cash	2	-	2	-	-
230	128	Closing Cash Balance	18	93	(75)	(80.6)	10

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 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$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							
1,777	1,173	Operating Balance	857	683	174	25.5	14
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
Valuation Changes							
84	12	Revaluation of commercial forests	-	-	-	-	-
(44)	(33)	Unrealised net foreign-exchange gains	(123)	(20)	(103)	-	(20)
40	(21)	Total Valuation Changes	(123)	(20)	(103)	-	(20)
Physical Asset Movements							
765	372	Depreciation	387	397	(10)	(2.5)	833
26	1	Loss/(gain) on sale of physical assets	(1)	-	(1)	-	-
791	373	Total Physical Asset Movements	386	397	(11)	(2.8)	833
Other Non-cash Items							
		Net surplus, less distributions, attributable to State-owned enterprises and Crown entities	(140)	(73)	(67)	(91.8)	(442)
(1,245)	(486)	Gain on sale of Contact Energy Limited and Airport Companies	-	-	-	-	-
(1,625)	-	Gain on sale of Vehicle Testing New Zealand Limited	(14)	(14)	-	-	(14)
-	-	Movement in pension liabilities	-	-	-	-	3
429	-	Other	-	-	-	-	-
5	(23)		(38)	-	(38)	-	(39)
(2,436)	(509)	Total Other Non-cash Items	(192)	(87)	(105)	(120.7)	(492)
69	(20)	Total other investing and financing items	(52)	-	(52)	-	(43)
Movements in Working Capital							
(135)	(1,344)	Increase in taxes receivable	(1,312)	(1,334)	22	1.6	(68)
(75)	(33)	Decrease/(increase) in other receivables	(263)	(31)	(232)	-	(37)
(19)	(14)	Increase in inventories	(18)	-	(18)	-	(2)
380	(1,041)	(Decrease)/increase in payables	(804)	(836)	32	3.8	(529)
151	(2,432)	Total movements in working capital	(2,397)	(2,201)	(196)	(8.9)	(636)
392	(1,436)	Net Cash Flows from Operations	(1,521)	(1,228)	(293)	(23.9)	(344)

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
for the six months ended 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$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							
392	(1,436)	Net Cash Flows From Operations	(1,521)	(1,228)	(293)	(23.9)	(344)
Investing flows							
<i>Net advances</i>							
212	-	HCNZ	-	-	-	-	-
11	6	Contact Energy Limited	6	5	1	20.0	-
(470)	(135)	Student loans	(88)	(60)	(28)	(46.7)	-
43	(31)	Residual Health Management Unit	37	18	19	105.6	-
-	-	Solid Energy New Zealand Limited	(38)	(42)	4	9.5	-
25	9	Other	79	(7)	86	-	(189)
(179)	(151)	Total Net Advances	(4)	(86)	82	95.3	(189)
(903)	(445)	Net purchase of physical assets	(510)	(752)	242	32.2	(1,411)
<i>Net investments</i>							
(45)	(26)	Hospital and Health Services	(25)	(40)	15	37.5	-
487	487	Auckland and Wellington Airports	-	-	-	-	-
-	-	At Work Insurance Limited	(149)	(149)	-	-	-
-	-	Vehicle Testing New Zealand Limited	19	22	(3)	(13.6)	-
2,331	-	Contact Energy Limited	2	-	2	-	-
(35)	2	Other	-	-	-	-	3,104
2,738	463	Net (purchase)/sale of Investments	(153)	(167)	14	8.4	3,104
2,048	(1,569)	(Required to be financed)/ Available for debt repayment	(2,188)	(2,233)	45	2.0	1,160
<i>Used in:</i>							
(1,184)	1,708	Net sale/(purchase) of marketable securities and deposits	478	1,729	(1,251)	(72.4)	-
864	139	Total Investing activities	(1,710)	(504)	(1,206)	(239.3)	1,160
(2,791)	(265)	Net issue/(repayment) of other New Zealand-dollar borrowing	289	(297)	586	197.3	101
(1,060)	(1,283)	Net (repayment)/issue of foreign currency borrowing	(741)	(408)	(333)	(81.6)	(549)
(38)	182	Decrease/(increase) in cash	214	137	77	56.2	220
151	351	Issues of circulating currency	1,155	16	1,139	-	16
(3,738)	(1,015)		917	(552)	1,469	266.1	(212)
(2,874)	(876)	Net (Cash Proceeds From)/Repayments of Domestic Bonds	(793)	(1,056)	263	24.9	948
Gross Cash Proceeds From Domestic Bonds							
3,450	1,845	Domestic bonds (market)	932	908	24	2.6	1,932
977	828	Domestic bonds (non-market)	-	-	-	-	277
329	165	Inflation bonds (market)	-	-	-	-	-
-	-	Inflation bonds (non-market)	191	148	43	29.1	148
4,756	2,838	Total Gross Cash Proceeds From Domestic Bonds	1,123	1,056	67	6.3	2,357
(1,782)	(1,763)	Repayment of domestic bonds (market)	(330)	-	(330)	-	(3,011)
(100)	(75)	Repayment of domestic bonds (non-market)	-	-	-	-	(294)
2,874	1,000	Net Cash Proceeds From/ (Repayments of) Domestic Bonds	793	1,056	(263)	(24.9)	(948)

The accompanying Notes are an integral part of these Statements.

Statement of Borrowings

as at 31 December 1999

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Outstanding Debt							
New Zealand-Dollar Debt							
22,701	20,845	Government stock	23,487	23,740	253	1.1	21,735
5,881	7,087	Treasury bills	5,734	5,768	34	0.6	6,231
299	281	Loans and foreign-exchange contracts	985	327	(658)	(201.2)	230
-	1,076	Reserve Bank bills	-	-	-	-	-
729	977	Retail stock	490	568	78	13.7	557
29,610	30,266	Total New Zealand-Dollar Debt	30,696	30,403	(293)	(1.0)	28,753
Foreign-Currency Debt							
3,565	3,598	United States dollars	3,096	3,500	404	11.5	3,259
1,706	1,865	Japanese yen	2,375	1,924	(451)	(23.4)	1,924
1,831	1,982	European and other currencies	1,240	1,540	300	19.5	1,540
7,102	7,445	Total Foreign-Currency Debt	6,711	6,964	253	3.6	6,723
36,712	37,711	Total Outstanding Debt	37,407	37,367	(40)	(0.1)	35,476
Less							
Financial Assets							
Marketable Securities and Deposits							
3,601	449	New Zealand dollars	4,052	2,393	1,659	69.3	952
3,857	3,902	United States dollars	3,453	3,931	(478)	(12.2)	3,689
1,827	2,372	Japanese yen	2,378	1,717	661	38.5	1,717
1,868	2,275	European and other currencies	1,259	1,778	(519)	(29.2)	1,778
11,153	8,998	Total Marketable Securities and Deposits	11,142	9,819	1,323	13.5	8,136
Advances and Cash							
299	807	Advances to State-owned enterprises and Crown entities	296	323	(27)	(8.4)	323
3,002	2,645	Student loans	3,118	3,112	6	0.2	3,462
327	112	Other advances	320	340	(20)	(5.9)	223
230	128	Cash	18	93	(75)	(80.6)	10
3,858	3,692	Total Advances and Cash	3,752	3,868	(116)	(3.0)	4,018
15,011	12,690	Total Financial Assets	14,894	13,687	1,207	8.8	12,154
21,701	25,021	Net Crown Debt	22,513	23,680	1,167	4.9	23,322
22,309	26,065	Net New Zealand-dollar debt	22,945	24,141	1,196	5.0	23,783
(608)	(1,044)	Net foreign-currency debt	(432)	(461)	(29)	(6.3)	(461)
21,701	25,021	Net Crown Debt	22,513	23,680	1,167	4.9	23,322

The accompanying Notes are an integral part of these Statements.

Statement of Borrowings (continued)
as at 31 December 1999

Movements in Net Crown Debt Since 30 June 1999

	As at 1 July 1999 \$m	Increases/ Additions \$m	Decreases/ Disposals/ Repayments \$m	Foreign Exchange Contracts \$m	Currency Realignment \$m	Unamortised Premiums \$m	As at 31 December 1999 \$m
Outstanding Debt							
By Type							
New Zealand-dollar debt	29,610	1,385	(214)	-	-	(85)	30,696
Foreign-currency debt	7,102	1,127	(1,886)	(8)	390	(14)	6,711
Total Outstanding Debt	36,712	2,512	(2,100)	(8)	390	(99)	37,407
Less							
Financial Assets							
Marketable securities and deposits	11,153	31,919	(32,385)	35	465	(45)	11,142
Advances and cash	3,858	334	(442)	-	2	-	3,752
Total Financial Assets	15,011	32,253	(32,827)	35	467	(45)	14,894
Net Crown Debt	21,701	(29,741)	30,727	(43)	(77)	(54)	22,513

Statement of Commitments
as at 31 December 1999

	As at 31 December 1999 \$m	As at 30 June 1999 \$m	As at 31 December 1998 \$m
Capital Commitments			
Specialist military equipment	616	361	441
Land and buildings	415	125	124
Other plant and equipment	27	32	44
Investments	20	232	44
State-owned enterprises and Crown entities	1,087	1,207	1,527
Total Capital Commitments	2,165	1,957	2,180
Operating Commitments			
Non-cancellable accommodation leases	582	638	664
Other non-cancellable leases	2,955	2,443	3,586
Non-cancellable contracts for the supply of goods and services	295	454	342
Other operating commitments	1,139	909	967
State-owned enterprises and Crown entities	2,403	2,516	3,781
Total Operating Commitments	7,374	6,960	9,340
Total Commitments	9,539	8,917	11,520

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.

Quantifiable Contingent Liabilities

	31 December 1999 \$m	30 June 1999 \$m
Guarantees and indemnities	367	541
Uncalled capital	2,885	2,820
Legal proceedings and disputes	509	464
Other contingent liabilities	1,807	1,610
Total Quantifiable Contingent Liabilities	5,568	5,435

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

The accompanying Notes are an integral part of these Statements.

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.

\$22 million at 31 December 1999 (\$22 million at 30 June 1999).

Huntly East mine subsidence

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

\$23 million at 31 December 1999 (\$25 million at 30 June 1999).

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 will reduce as deposits mature.

\$21 million at 31 December 1999 (\$23 million at 30 June 1999).

Guarantees and indemnities of State-owned enterprises and Crown entities

\$273 million at 31 December 1999 (\$257 million at 30 June 1999).

Other guarantees and indemnities

\$28 million at 31 December 1999 (\$214 million at 30 June 1999).

Uncalled capital

The Crown's uncalled capital subscriptions are as follows:	Uncalled Capital at 31 December 1999 \$m	Uncalled Capital at 30 June 1999 \$m
Asian Development Bank	1,296	1,271
European Bank for Reconstruction and Development	13	14
International Bank for Reconstruction and Development	1,576	1,535

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.

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 1999 (\$132 million at 30 June 1999).

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.

A statement of claim has been filed in the High Court by various parties seeking a judgement be made against the Crown in the sum of \$94 million.

\$94 million at 31 December 1999 (nil at 30 June 1999).

New Zealand Defence Force – legal claims

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

\$15 million at 31 December 1999 (\$15 million at 30 June 1999).

Police - legal claims

Claims against the Police for alleged legal or administrative faults.

\$82 million at 31 December 1999 (\$82 million at 30 June 1999).

Statement of Contingent Liabilities
as at 31 December 1999

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.

\$84 million at 31 December 1999 (\$111 million at 30 June 1999).

Legal claims against State-owned enterprises and Crown entities

\$29 million at 31 December 1999 (\$30 million at 30 June 1999).

Other legal claims

\$73 million at 31 December 1999 (\$94 million at 30 June 1999).

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.

\$85 million at 31 December 1999 (\$81 million at 30 June 1999).

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 1999 (\$23 million at 30 June 1999).

International finance organisations

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

	31 December 1999 \$m	30 June 1999 \$m
International Bank for Reconstruction and Development	66	66
International Monetary Fund	1,554	1,348

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

Other quantifiable contingent liabilities

\$79 million at 31 December 1999 (\$92 million at 30 June 1999).

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 indemnified the Commerce Commission under section 59 of the Public Finance Act 1989 for up to \$40 million per case for damages awarded against it by the Courts in certain circumstances.

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 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.

Māori Trustee

The Crown is liable to meet any deficiency in the Māori 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).

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 Bank any exchange losses incurred by the 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.

Contact Energy Limited (Contact)

The Deed of Assumption and Release between ECNZ, Contact and the Crown provides for compensation to Contact for any tax, levy, royalty or impost imposed on the company's use of water or geothermal energy for plants in existence or under construction at the date of the ECNZ Sale and Purchase Agreement (and which are not reflected in the increased prices of energy generally). It provides for compensation for any net costs to Contact arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988. The Deed also provides that the Crown is no longer liable to ECNZ in respect of those assets transferred to Contact.

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.

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.

In addition, 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)

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 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 Health Funding Authority (HFA) 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 the HFA and 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.

Solid Energy New Zealand Limited (Solid Energy)

The Crown has indemnified Solid Energy for any liability, damages, claims, costs and expenses arising from coal mining operations carried out by State Coal Mines prior to 1 April 1987. In addition, the Crown has indemnified Solid Energy against illegal action, or action without the requisite right, if this is a continuation of State Coal Mines activity.

Southland Electric Power Supply Consumer Trust

The Crown has indemnified the Southland Electric Power Supply Consumer Trust for any gift duty arising from the vesting of the Crown's shares in The Power Company Limited with the Trust.

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 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 an SOE or tertiary institution, or is subject to the Crown Forests Assets Act 1989.

Settlement relativity payments

As part of the Deeds of Settlement negotiated with Waikato-Tainui and Ngai Tahu, the Crown agreed that if the value of their respective settlements (in December 1994 dollars) is less than the agreed relativity percentage of the total settlement redress of all historical Treaty claims (17% for Waikato-Tainui), the Crown will be liable for additional payments to the extent required to maintain the relative value of each settlement. The non-quantifiable contingent liability relates to the risk that total settlement redress, including binding resummptions 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.

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 more detailed listing of the components of the Crown reporting entity is set out in the supplementary information on pages 54 and 55.

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.

Specific Accounting Policies

Reporting and forecast period

The reporting and forecast period for these Financial Statements is the six months ended 31 December 1999. Different reporting periods have however been applied when combining certain State-owned enterprises and Crown.

The forecasts are based on the revised fiscal forecasts contained in the Pre-Election and Fiscal Update, released on 21 October 1999.

Basis of combination

Ministers of the Crown, departments, offices of Parliament and the Reserve Bank of New Zealand are combined using the purchase method of combination. Corresponding assets, liabilities, revenues and expenses are added together line by line. Transactions and balances between these sub-entities are eliminated on combination.

State-owned enterprises, Crown entities and Public Trust are combined using the modified equity method of combination. This records the Crown's share of these entities'

net assets, including asset valuation movements and their surpluses and deficits. Unrealised surpluses and deficits on inter-entity transactions not carried out on an arms-length basis are eliminated. Other inter-entity transactions and balances are not eliminated.

Commitments and contingent liabilities of State-owned enterprises and Crown entities are reported in the Statement of Commitments and the Statement of Contingent Liabilities.

Revenue

Revenue levied through the Crown's sovereign power

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits, as there is no direct relationship between paying tax and receiving Crown services and transfers. Such revenue is received through the exercise of the Crown's sovereign power.

Where possible, revenue is recognised at the time the debt to the Crown arises.

Revenue Type	Revenue Recognition Point
Source deductions (PAYE)	When an individual earns income that is subject to PAYE
Residents' withholding tax ¹	When an individual is paid interest or dividends subject to deduction at source
Fringe benefit tax (FBT)	When benefits are provided that give rise to FBT
Provisional tax	Payment due date
Terminal tax	Assessment filed date
Goods and services tax	When the liability to the Crown is incurred
Excise duty	When goods are subject to duty
Road user charges and motor vehicle fees	When payment for the fee or charge is made
Stamp, cheque and credit card duties	When the liability to the Crown is incurred
Other indirect taxes	When the debt to the Crown arises
¹ Corresponds to withholding taxes on residents' interest and dividend income in Note 1 to the Financial Statements.	

Revenue earned through operations

If revenue has been earned by the Crown in exchange for the provision of outputs (products or services) to third parties, then the Crown receives its revenue through operations. Such revenue is recognised when it is earned.

Investment income

Investment income is recognised in the period in which it is earned.

Premiums and discounts

Premiums arising on the issue of a debt instrument are treated as a reduction in the cost of borrowing. Discounts arising on the purchase of a monetary asset are treated as an increase in investment income.

Premiums and discounts are recognised in the Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

For floating rate debt instruments the amortisation is over the first interest period. Discounts on monetary assets deemed short-term securities are amortised on a straight-line basis.

The forward margin associated with forward foreign-exchange contracts is amortised over the period of the contract on a straight-line basis.

Gains

Realised gains arising from sales of assets or the early repurchase of liabilities are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised foreign-exchange gains on monetary assets and liabilities, and unrealised gains on marketable securities held for trading purposes, are recognised in the Statement of Financial Performance.

Unrealised and realised gains related to hedging activity are recognised in the Statement of Financial Performance in the same period in which gains on the underlying hedged position are recognised.

Unrealised gains arising from changes in the value of physical assets (including State highways) are recognised at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that class of asset.

Unrealised gains arising from changes in the value of commercial forests are credited to the Statement of Financial Performance.

Unrealised gains (excluding foreign-exchange gains) arising from changes in the value of investments and marketable securities held for investment are recognised at balance date only to the extent that they reverse a loss previously charged to the Statement of Financial Performance. Gains effecting such a reversal are credited to the Statement of Financial Performance.

Expenses

General

Expenses are recognised in the period to which they relate.

Welfare benefits

Welfare benefits are recognised in the period when an application for a benefit has been accepted and the eligibility criteria met.

Grants and subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Discounts and Premiums

Discounts arising on the issue of a debt instrument are treated as an increase in the cost of borrowing. Premiums arising on the purchase of a monetary asset are treated as a reduction in investment income.

Discounts and premiums are recognised in the Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

For floating rate debt instruments the amortisation is over the first interest period. Premiums on monetary assets deemed short-term securities are amortised on a straight-line basis.

The forward margin associated with forward foreign-exchange contracts is amortised over the period of the contract on a straight-line basis.

Losses

Realised losses arising from sales of assets or the early repurchase of liabilities are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised foreign-exchange losses on monetary assets and liabilities, and unrealised losses on marketable securities held for trading purposes, are recognised in the Statement of Financial Performance.

Unrealised and realised losses related to hedging activity are recognised in the Statement of Financial Performance in the same period in which gains on the underlying hedged position are recognised.

Unrealised losses (excluding foreign-exchange losses) arising from changes in the value of physical assets (including State highways), and investments and marketable securities held for investment are recognised at balance date. Unrealised losses are first applied against the revaluation reserve for that class of asset. The balance, if any, is charged to the Statement of Financial Performance.

Unrealised losses arising from changes in the value of commercial forests are charged to the Statement of Financial Performance.

Foreign-currency transactions

Short-term transactions covered by forward exchange contracts are translated into New Zealand dollars using the forward rates specified in those contracts.

Other transactions in foreign currencies are translated into New Zealand dollars using the exchange rate on the date of the transaction. Exchange differences arising on translation of these transactions are recognised in the Statement of Financial Performance.

Outstanding foreign-exchange contracts are translated at the closing exchange rate. Exchange gains and losses are included in the Statement of Financial Performance in the period in which they arise.

Depreciation

Depreciation is provided on a straight-line basis at rates calculated to allocate the cost or valuation of an asset, less any estimated residual value, over its estimated useful life. Typically, the estimated useful lives of different classes of assets are as follows:

Freehold buildings - 25 to 60 years

Specialist military equipment - 5 to 25 years

Other plant and equipment - 3 to 25 years

State highways

Pavement - 36 years

Bridges - 90 years

Assets

Foreign monetary assets

Where foreign monetary assets are subject to forward exchange contracts, they are translated into New Zealand dollars at the contract rate. Otherwise, foreign monetary assets are translated at the closing exchange rate.

Exchange gains and losses are included in the Statement of Financial Performance in the period in which they arise.

Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Inventories

Inventories are recorded at the lower of cost and net current value. Where inventories acquired since January 1991 are recorded at cost, the weighted average cost method has been used. Appropriate allowance has been made for obsolescence.

Investments

Marketable securities held for trading purposes

Marketable securities held for trading purposes are recorded at net current value.

Equity investments

Equity investments (other than those forming part of the reporting entity) are recorded at the lower of cost and net current value.

Other investments and marketable securities held for investment purposes

Other investments, including marketable securities held for investment purposes, are recorded at the lower of cost and net current value.

Investments held for hedging purposes are recorded on the same basis as the item being hedged.

Physical assets

Land and buildings

Land and buildings are recorded at net current value. In cases where valuations conducted in accordance with New Zealand Institute of Valuers' standards are not available, valuations conducted in accordance with the Valuation of Land Act 1951 have been used.

Specialist military equipment

Specialist military equipment is recorded at depreciated replacement cost. Valuations have been obtained through specialist assessment by New Zealand Defence Force advisers.

Other plant and equipment

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost less accumulated depreciation.

Other physical assets for which an objective estimate of market value is difficult to obtain

Such assets (national parks, for example) are recorded at the best estimate of net current value.

Commercial forests

Commercial forests are recorded at estimated net current value. This takes into account age, quality of timber and the forest management plan.

State highways

State highways are recorded at depreciated replacement cost based on the estimated present cost of constructing the existing asset by the most appropriate method of construction. Land associated with the State highways is valued using an opportunity cost based on adjacent use, as an approximation to net current value.

Intangible assets

Intangible assets which can be sold or acquired separately from other assets are recorded at net current value if a foreseeable future benefit exists. Otherwise, intangible assets are not recognised.

Liabilities

Borrowings

In the Statement of Financial Position, borrowings, including currency swaps are recorded at nominal value adjusted for the unamortised portion of the premium or discount on issue.

Foreign monetary liabilities

Where foreign monetary liabilities are subject to forward exchange contracts, they are translated into New Zealand dollars at the contract rate. Otherwise, foreign monetary liabilities are translated at the closing exchange rate.

Exchange gains and losses are recognised in the Statement of Financial Performance in the period in which they arise.

Pension liabilities

Pension liabilities in respect of the contributory service of superannuation scheme members are recorded at the latest actuarial value of the Crown's liability for pension payments, net of the schemes' assets.

Currency issued

Currency issued represents a liability in favour of the holder. Currency issued for circulation, including demonetised currency, is recognised at face value.

Unissued currency stocks are reported as inventory and expensed when issued.

Leases

Finance leases transfer to the Crown as lessee substantially all the risks and rewards incident on the ownership of a leased asset. The obligations under such leases are capitalised at the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Crown expects to receive benefits from their use.

Operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease.

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Compensated absences

Liabilities for annual leave are recognised as they accrue to employees. Provision is also made for expected payments of long-service and retiring leave obligations to employees.

Other liabilities

All other liabilities are recorded at the estimated obligation to pay.

Commitments

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included in the Statement of Commitments.

Contingent liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent assets are not disclosed.

Changes in Accounting Policies

There have been no changes in accounting policies during the period.

Changes to Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation and classification adopted in the current period.

Notes to the Financial Statements

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 1: Direct Taxation							
Income Tax							
Individuals							
12,295	6,101	Source deductions	6,241	6,281	(40)	(0.6)	12,666
3,024	1,739	Other persons	1,674	1,787	(113)	(6.3)	3,115
(701)	(342)	Refunds	(367)	(344)	(23)	(6.7)	(650)
323	160	Fringe benefit tax	150	160	(10)	(6.3)	326
14,941	7,658	Total Individuals	7,698	7,884	(186)	(2.4)	15,457
Companies							
3,851	2,197	Gross companies	2,607	2,318	289	12.5	4,294
(157)	(69)	Refunds	(57)	(67)	10	14.9	(157)
3,694	2,128	Total Companies	2,550	2,251	299	13.3	4,137
Withholding Taxes							
864	502	Residents' interest income	317	325	(8)	(2.5)	683
717	421	Non-residents' income	323	429	(106)	(24.7)	689
63	18	Residents' dividend income	21	(2)	23	-	14
8	(13)	Foreign-source dividends	24	36	(12)	(33.3)	59
1,652	928	Total Withholding Taxes	685	788	(103)	(13.1)	1,445
20,287	10,714	Total Income Tax	10,933	10,923	10	0.1	21,039
Other Direct Taxation							
2	1	Estate and gift duties	1	1	-	-	2
2	1	Total Other Direct Taxation	1	1	-	-	2
20,289	10,715	Total Direct Taxation	10,934	10,924	10	0.1	21,041
NOTE 2: Indirect Taxation							
Goods and Services Tax							
12,844	6,209	Gross goods and services tax	6,766	6,680	86	1.3	13,424
(4,440)	(2,179)	Refunds	(2,592)	(2,436)	(156)	(6.4)	(4,667)
8,404	4,030	Total Goods and Services Tax	4,174	4,244	(70)	(1.6)	8,757
Excise Duties							
802	416	Petroleum fuels	420	426	(6)	(1.4)	854
714	388	Tobacco products	468	413	55	13.3	706
432	231	Alcoholic beverages	260	238	22	9.2	436
1,948	1,035	Total Excise Duties	1,148	1,077	71	6.6	1,996
Other Indirect Taxation							
528	249	Customs duty	304	287	17	5.9	562
468	230	Road user charges	249	253	(4)	(1.6)	510
94	80	Stamp, cheque and credit card duties	25	23	2	8.7	56
174	87	Motor vehicle fees	88	92	(4)	(4.3)	179
155	75	Gaming duties	82	81	1	1.2	169
96	47	Energy resources levy	55	47	8	17.0	90
1,515	768	Total Other Indirect Taxation	803	783	20	2.6	1,566
11,867	5,833	Total Indirect Taxation	6,125	6,104	21	0.3	12,319

Notes to the Financial Statements

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 3: Investment Income							
Interest Income							
343	204	Marketable securities, deposits, mortgages and cash balances	219	172	47	27.3	344
229	114	Advances	118	130	(12)	(9.2)	253
58	30	Student loans	24	26	(2)	(7.7)	60
		Other entities					
630	348	Total Interest Income	361	328	33	10.1	657
Dividend Income							
Dividends from State-owned enterprises							
57	-	Electricity Corporation of New Zealand Limited	15	30	(15)	(50.0)	-
14	9	New Zealand Post Limited	7	9	(2)	(22.2)	-
81	32	Trans Power New Zealand Limited	63	62	1	1.6	-
-	-	Meridian Energy Limited	100	100	-	-	-
102	11	Television New Zealand Limited	36	36	-	-	-
17	17	Government Property Services Limited	-	-	-	-	-
3	3	Land Corporation Limited	3	3	-	-	-
8	4	Other	3	5	(2)	(40.0)	330
65	36	Contact Energy Limited	-	-	-	-	-
-	-	Housing Corporation Of New Zealand	12	-	12	-	-
122	92	Housing New Zealand Limited	87	87	-	-	-
77	77	Other dividends	15	6	9	150.0	137
546	281	Total Dividend Income	341	338	3	0.9	467
Other Investment Income							
13	30	(Losses)/gains on marketable securities and deposits	(27)	-	(27)	-	-
86	-	Gain on incorporation of Public Trust Office reserves	-	-	-	-	-
-	-	Gain on sale of Vehicle Testing New Zealand Limited	14	14	-	-	14
1,421	-	Gains on sale of Contact Energy Limited	-	-	-	-	-
204	204	Gains on sale of Airport companies	-	-	-	-	-
1	(4)	Other	-	-	-	-	8
1,725	230	Total Other Investment Income	(13)	14	(27)	(192.9)	22
2,901	859	Total Investment Income	689	680	9	1.3	1,146
NOTE 4: Other Operational Revenue							
Recoveries from Accident Rehabilitation and Compensation Insurance Corporation							
142	70	Contributions to Government Superannuation Fund	54	53	1	1.9	109
53	28	Petroleum royalties	12	12	-	-	46
26	12	Cost recovery income from Fisheries	21	13	8	61.5	30
31	16	Income from Earthquake Commission	16	18	(2)	(11.1)	31
10	5	Other	5	5	-	-	10
139	81	Other	84	43	41	95.3	66
401	212	Total Other Operational Revenue	192	144	48	33.3	292

Notes to the Financial Statements

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 5: Expenses by Input Type							
12,892	6,532	Subsidies and transfer payments (see analysis below)	6,469	6,476	7	0.1	13,035
15,681	7,418	Operating expenses (see analysis below)	7,963	7,929	(34)	(0.4)	16,510
		Personnel					
2,541	1,274	Personnel expenses (excluding pension expenses)	1,260	1,282	22	1.7	2,548
703	343	GSF Pension expenses	315	314	(1)	(0.3)	653
		Movement in GSF unfunded pension liability	-	-	-	-	3
429	-						
50	25	Other pension expenses	28	28	-	-	53
		Depreciation					
684	331	Physical assets	345	355	10	2.8	750
81	41	State highways	42	42	-	-	83
269	129	Rental and leasing costs	133	123	(10)	(8.1)	254
26	1	(Gain)/loss on sale of assets	(1)	-	1	-	-
2,516	1,343	Finance costs (see analysis below)	1,188	1,179	(9)	(0.8)	2,310
		Net foreign-exchange losses/ (gains) on liabilities	386	357	(29)	(8.1)	357
(22)	334						
		Net foreign-exchange (gains)/ losses on assets	(408)	(383)	25	6.5	(383)
(25)	(401)						
-	-	Provision for future initiatives	-	-	-	-	10
35,825	17,370	Total Expenses	17,720	17,702	(18)	(0.1)	36,183
Analysis of Subsidies and Transfer Payments							
		Social Assistance Grants					
5,064	2,566	New Zealand superannuation	2,517	2,523	6	0.2	5,015
1,451	735	Domestic purposes benefit	723	716	(7)	(1.0)	1,433
369	369	Unemployment benefit	-	-	-	-	-
1,487	504	Community wage	985	982	(3)	(0.3)	1,990
915	485	Family support	478	472	(6)	(1.3)	954
378	200	Student allowances	190	194	4	2.1	393
2,901	1,528	Other social assistance grants	1,409	1,407	(2)	(0.1)	2,882
110	57	Subsidies	67	70	3	4.3	138
		Other Transfer Payments					
204	83	Official development assistance	93	104	11	10.6	213
13	5	Other	7	8	1	12.5	17
12,892	6,532	Total Subsidies and Transfer Payments	6,469	6,476	7	0.1	13,035
Analysis of Operating Expenses							
		Education purchases					
294	148	Early childhood education	157	154	(3)	(1.9)	317
3,146	1,572	Primary and secondary education	1,701	1,672	(29)	(1.7)	3,443
1,357	659	Tertiary education and training	668	669	1	0.1	1,408
6,107	3,057	Health purchases	3,181	3,186	5	0.2	6,373
405	193	Science purchases	234	207	(27)	(13.0)	420
4,372	1,789	Other operating expenses	2,022	2,041	19	0.9	4,549
15,681	7,418	Total Operating Expenses	7,963	7,929	(34)	(0.4)	16,510
Analysis of Finance Costs							
		Interest					
2,129	1,112	New Zealand dollars	1,005	1,013	8	0.8	1,974
343	192	Foreign currencies	170	154	(16)	(10.4)	313
44	39	Other finance costs	13	12	(1)	(8.3)	23
2,516	1,343	Total Finance Costs	1,188	1,179	(9)	(0.8)	2,310

Notes to the Financial Statements

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$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							
-	222	Contact Energy Limited	-	-	-	-	-
169	382	Housing Corporation of New Zealand	168	169	(1)	(0.6)	192
127	200	Residual Health Management Unit	90	109	(19)	(17.4)	89
-	-	Solid Energy New Zealand Limited	37	42	(5)	(11.9)	42
3	3	Terralink NZ Limited	1	3	(2)	(66.7)	-
299	807	Total Advances to State-owned Enterprises and Crown Entities	296	323	(27)	(8.4)	323
Other Advances							
3,002	2,645	Student loans	3,118	3,112	6	0.2	3,462
217	-	Contact Energy Limited	212	212	-	-	116
34	35	Forestry encouragement loans	29	34	(5)	(14.7)	35
34	33	Maori Development rural lending	36	37	(1)	(2.7)	40
8	10	Catchment authorities	8	7	1	14.3	7
34	34	Other	35	50	(15)	(30.0)	25
3,329	2,757	Total Other Advances	3,438	3,452	(14)	(0.4)	3,685
3,628	3,564	Total Advances	3,734	3,775	(41)	(1.1)	4,008

NOTE 7: Receivables							
4,061	5,270	Taxes receivable	5,373	5,395	(22)	(0.4)	4,129
976	948	Accounts receivable	987	1,036	(49)	(4.7)	906
132	143	Receivable from the sale and purchase of Maui gas	185	122	63	51.6	112
81	89	Prepayments	280	84	196	233.3	84
5,250	6,450	Total Receivables	6,825	6,637	188	2.8	5,231

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

	Investment as at 1 July 1999 \$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 1999 \$m
State-owned enterprises	4,951	225	(227)	(2)	43	145	5,137
Crown entities	7,966	247	(104)	143	(1)	24	8,132
Total State-owned Enterprises and Crown Entities	12,917	472	(331)	141	42	169	13,269

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
NOTE 9: Other Investments							
31	98	International Bank for Reconstruction and Development	31	31	-	-	31
86	-	Public Trust Office	86	86	-	-	86
96	96	Asian Development Bank	96	96	-	-	96
57	61	Other	60	67	(7)	(10.4)	65
270	255	Total Other Investments	273	280	(7)	(2.5)	278
NOTE 10: Physical Assets							
By Type							
Cost or Valuation							
1,763	2,313	Land	2,320	1,778	542	30.5	1,722
525	525	Properties intended for sale	525	525	-	-	525
8,228	7,634	Buildings	8,012	8,397	(385)	(4.6)	8,632
2,357	2,265	Specialist military equipment	2,487	2,567	(80)	(3.1)	2,737
2,083	2,005	Other plant and equipment	2,148	2,204	(56)	(2.5)	2,517
2,511	2,501	Other assets	2,515	2,512	3	0.1	2,360
17,467	17,243	Total Cost or Valuation	18,007	17,983	24	0.1	18,493
Accumulated Depreciation							
710	610	Buildings	716	877	161	18.4	1,027
356	292	Specialist military equipment	411	427	16	3.7	499
1,138	1,101	Other plant and equipment	1,182	1,244	62	5.0	7
5	4	Other assets	7	7	-	-	1,368
2,209	2,007	Total Accumulated Depreciation	2,316	2,555	239	9.4	2,901
Net Book Value							
1,763	2,313	Land	2,320	1,778	542	30.5	1,722
525	525	Properties intended for sale	525	525	-	-	525
7,518	7,024	Buildings	7,296	7,520	(224)	(3.0)	7,605
2,001	1,973	Specialist military equipment	2,076	2,140	(64)	(3.0)	2,238
945	904	Other plant and equipment	966	960	6	0.6	2,510
2,506	2,497	Other assets	2,508	2,505	3	0.1	992
15,258	15,236	Total Net Book Value	15,691	15,428	263	1.7	15,592
Movements since 30 June							
Cost or Valuation							
16,977	16,977	Opening balance	17,467	17,467	-	-	17,467
556	186	Net additions	341	516	(175)	(33.9)	1,026
(66)	80	Revaluations	199	-	199	-	-
17,467	17,243	Total Cost or Valuation	18,007	17,983	24	0.1	18,493
Accumulated Depreciation							
2,015	2,015	Opening balance	2,209	2,209	-	-	2,209
(267)	(183)	Disposals	(76)	(9)	67	-	(58)
684	331	Depreciation charged for the period	345	355	10	2.8	750
(223)	(156)	Revaluations	(162)	-	162	-	-
2,209	2,007	Total Accumulated Depreciation	2,316	2,555	239	9.4	2,901
15,258	15,236	Net Physical Assets	15,691	15,428	263	1.7	15,592

Notes to the Financial Statements

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance		\$m
					\$m	%	
NOTE 11: State Highways							
Cost or Valuation							
8,359	8,359	Opening balance	8,770	8,770	-	-	8,770
148	89	Net additions	80	80	-	-	160
263	-	Net revaluations	-	-	-	-	-
8,770	8,448	Total Cost or Valuation	8,850	8,850	-	-	8,930
Accumulated Depreciation							
-	-	Opening balance	-	-	-	-	-
81	41	Depreciation charged for the period	42	42	-	-	83
(81)	-	Net revaluations	-	-	-	-	-
-	41	Total Accumulated Depreciation	42	42	-	-	83
8,770	8,407	Net State Highways	8,808	8,808	-	-	8,847
NOTE 12: Payables and Provisions							
1,686	1,480	Taxes repayable	1,588	1,684	96	5.7	1,686
1,219	629	Accounts payable	1,215	1,312	97	7.4	1,075
1,247	829	Accruals and provisions	501	349	(152)	(43.6)	897
		National Provident Fund					
423	423	guarantee	423	423	-	-	423
		National Provident Fund Board					
96	96	indemnity	96	96	-	-	96
		Provisions for employee					
334	322	entitlements	344	322	(22)	(6.8)	319
5,005	3,779	Total Payables and Provisions	4,167	4,186	19	0.5	4,496

Notes to the Financial Statements

Prior Year 30 June 1999 \$m	Actual 31 December 1998 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
NOTE 13: Revaluation Reserve							
6,789	6,789	Opening Balance	7,219	7,219	-	-	7,219
Net Revaluations							
344	-	State highways	-	-	-	-	-
245	340	Land and buildings	361	-	361	-	-
(109)	(106)	Specialist military equipment	-	-	-	-	-
21	2	Other assets	-	-	-	-	-
(35)	47	State-owned enterprises and Crown entities	42	43	(1)	(2.3)	43
466	283	Total Net Revaluations	403	43	360	-	43
(36)	(162)	Transfers to accumulated operating balance	(40)	-	(40)	-	-
7,219	6,910	Closing Revaluation Reserve	7,582	7,262	320	4.4	7,262



**SUPPLEMENTARY
INFORMATION**

Crown 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 and the following entities:

Offices of Parliament	Departments	State-Owned Enterprises
Audit Office Office of the Ombudsmen Parliamentary Commissioner for the Environment	Agriculture and Forestry Child, Youth and Family Service Commerce Conservation Corrections Courts Crown Law Culture and Heritage Customs Defence Education Education Review Office Environment Fisheries Foreign Affairs and Trade Government Communications Security Bureau Health Housing Inland Revenue Internal Affairs Justice Labour Land Information New Zealand Māori Development National Library New Zealand Defence Force Office of the Clerk Pacific Island Affairs Parliamentary Counsel Office Parliamentary Service Police Prime Minister and Cabinet Research, Science and Technology Security Intelligence Service Serious Fraud Office Social Welfare State Services Commission Statistics Transport Treasury Women's Affairs Work and Income Youth Affairs	Agriquality New Zealand Limited Airways Corporation of New Zealand Limited Asure New Zealand Limited At Work Insurance Limited Crown Forestry Management Limited Electricity Corporation of New Zealand Limited Genesis Power Limited Land Corporation Limited Meridian Energy Limited Meteorological Service of New Zealand Limited Mighty River Power Limited New Zealand Post Limited New Zealand Railways Corporation Solid Energy New Zealand Limited Television New Zealand Limited Terralink New Zealand Limited Timberlands West Coast Limited Trans Power New Zealand Limited

Crown Entities

Accident Rehabilitation and Compensation Insurance Corporation	New Zealand Antarctic Institute
Accounting Standards Review Board	New Zealand Artificial Limb Board
Agriculture and Marketing Research and Development Trust	New Zealand Business Development Board
Alcoholic Liquor Advisory Council	New Zealand Film Commission
Animal Control Products Limited	New Zealand Fire Service Commission
Arts Council of New Zealand Toi Aotearoa	New Zealand Fish and Game Council
Asia 2000 Foundation of New Zealand	New Zealand Game Bird Habitat Trust Board
Broadcasting Commission	New Zealand Government Property Corporation
Broadcasting Standards Authority	New Zealand Lotteries Commission
Building Industry Authority	New Zealand Lottery Grants Board
Careers Service	New Zealand Qualifications Authority
Casino Control Authority	New Zealand Sports Drug Agency
Civil Aviation Authority of New Zealand	New Zealand Symphony Orchestra Limited
Commerce Commission	New Zealand Tourism Board
Commissioner for Children	New Zealand Trade Development Board
Crown research institutes (9)	Ngai Tahu Ancillary Claims Trust
Early Childhood Development Unit	Office of Film and Literature Classification
Earthquake Commission	Pacific Islands Employment Development Board
Education and Training Support Agency	Police Complaints Authority
Electoral Commission	Privacy Commissioner
Environmental Risk Management Authority	Quotable Value New Zealand Limited
Fish and game councils (13)	Race Relations Conciliator
Foundation for Research, Science and Technology	Radio New Zealand Limited
Government Property Service	Reserve boards (51)
Health and Disability Commissioner	Residual Health Management Unit
Health Funding Authority	Retirement Commissioner
Health Research Council of New Zealand	Road Safety Trust
Health Sponsorship Council	School boards of trustees (2,664)
Hillary Commission for Sport, Fitness and Leisure	Securities Commission
Hospital and health services (24)	Special Education Service
Housing Corporation of New Zealand	Standards Council
Housing New Zealand Limited	Takeovers Panel
Human Rights Commission	Te Reo Whakapuaki Irirangi (Te Mangai Paho)
Land Transport Safety Authority of New Zealand	Te Taura Whiri I Te Reo Māori (Māori Language Commission)
Law Commission	Teacher Registration Board
Learning Media Limited	Tertiary education institutions (39)
Legal Services Board	Testing Laboratory Registration Council
Management Development Centre Trust	Transfund New Zealand
Maritime Safety Authority of New Zealand	Transit New Zealand
Mental Health Commission	Transport Accident Investigation Commission
Museum of New Zealand Te Papa Tongarewa	Trustees of the National Library

Reserve Bank of New Zealand

Public Trust