

Financial Statements of the Government of New Zealand

For the Seven Months
Ended 31 January 2004



12 March 2004

Prepared by The Treasury
Printed by PrintLink

This document is available on the New Zealand Treasury's Internet site.
The URL for this site is <http://www.treasury.govt.nz>

ISBN 0-478-18258-9

CONTENTS

Commentary

Overview	4
Comparison with Forecast	5
Comparison with Prior Year	9

Financial Statements

Statement of Accounting Policies (including an explanation of changes to presentation)	12
<i>This section outlines the summary accounting policies underpinning the preparation of the Crown financial statements. It includes an explanation of the changes to the basis of these accounts from past presentational formats.</i>	
Statement of Financial Performance	14
<i>The statement outlines the operating results of the total Crown (ie, revenues and expenses of all departments + Reserve Bank + GSF (core Crown), SOEs (including Air New Zealand) and Crown entities). Expense by sector is also shown for total Crown and core Crown.</i>	
Statement of Cash Flows	16
Statement of Movements in Equity	17
Statement of Financial Position	18
<i>The statement outlines balance sheet results of the total Crown (ie, assets and liabilities of the core Crown, SOEs and Crown entities added together). Additional information is provided on the NZS Fund and debt indicators.</i>	
Statement of Borrowings	20
<i>The statement outlines total borrowings (split by sovereign-guaranteed and non-sovereign guaranteed and categorised as domestic and foreign) less all financial assets. The net result does not represent net (core) Crown debt. Net (core) Crown numbers are shown in the information with the Statement of Financial Position and Segment information.</i>	
Statement of Commitments	21
Statement of Contingent Liabilities	21
Statement of Segments	22
<i>A new statement that outlines the operating results and balance sheet by each institutional segment (ie, core Crown, SOEs and Crown entities).</i>	
Notes to the Financial Statements	26
Core Crown – Government Bonds Reconciliation	36
<i>The statement outlines the core Crown operating and investing flows and the amount available for debt repayment. It is reconciled to the NZDMO Government Stock programme.</i>	

Officers for Enquiries

Glenn Phillips (phone 64-4-471-5102) (E-mail: glenn.phillips@treasury.govt.nz)
Steve Leith (phone 64-4-471-5254) (E-mail: steve.leith@treasury.govt.nz)

Budget and Macroeconomic Branch
The Treasury (1 The Terrace)
PO Box 3724, Wellington
NEW ZEALAND
Facsimile: 64-4-499-0992



COMMENTARY

OVERVIEW — SEVEN MONTHS TO JANUARY 2004

Table 1 – Summary Fiscal Indicators

\$ million	January 2004 Actual YTD	January 2004 Forecast YTD	Variance \$m	June 2004 Forecast	June 2003 Actual
Operating balance	4,901	3,982	919	6,092	1,966
OBERAC	4,588	3,982	606	5,207	5,580
Net worth	28,601	27,716	885	29,920	23,781
Total Crown debt	38,912	39,604	(692)	36,118	38,285
Gross sovereign-issued debt	38,325	38,674	(349)	34,469	36,086
% of GDP	29.3	29.5	(0.2)	25.3	28.0
Net core Crown debt	16,693	17,207	(514)	16,935	17,577
Net cash flow from core operating and investing activity	128	(270)	398	(1,107)	1,217

The financial statements for the seven months ended 31 January 2004 are compared against forecasts based on the 2003 December Economic and Fiscal Update (2003 DEFU).

The **operating balance** was \$4,901 million, which was higher-than-forecast by \$919 million. The key drivers of the forecast variance were:

- Tax revenue being higher-than-forecast by around \$200 million.
- Investment income being higher-than-forecast by \$326 million due to appreciation in investment asset values held by GSF, ACC and EQC.
- Sales of goods and services being higher-than-forecast by around \$100 million mainly in the SOE segment.
- Total Crown expenses being around \$200 million lower than forecast, mainly due to timing delays in expenditure.

The **OBERAC** was \$4,588 million. The difference between the OBERAC and the operating balance is largely due to investment asset movements (\$313 million).

Gross sovereign-issued debt (GSID) was \$38.3 billion (29.3% of GDP), which was \$349 million lower than forecast due largely to foreign exchange rate movements (net debt neutral).

Net (core) Crown debt was \$16.7 billion, which was \$514 million lower than forecast reflecting improved cash flow from operating activities, delays in investment activity and additional issues of circulating currency.

Net cash flow from core operating and investing activity (cash equivalent of OBERAC less capital purchases) was \$128 million, which was higher-than-forecast by \$398 million due to the reasons outlined for net debt (excluding the circulating currency) and delays in refinancing private sector debt of District Health Boards.

COMPARISON WITH FORECAST

Financial Performance

The financial statements for the seven months ended 31 January 2004 are compared against forecasts based on the 2003 December Economic and Fiscal Update (DEFU).

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

Table 2 – Composition of Operating Balance

\$ million	January 2004 Actual YTD	January 2004 Forecast YTD	Variance \$m	June 2004 Forecast	June 2003 Actual
Revenue					
Taxation revenue	24,624	24,426	198	42,251	39,785
Levies, fees, fines & penalties	1,780	1,746	34	3,013	2,763
Other revenue	8,611	8,121	490	14,258	14,479
Total revenue	35,015	34,293	722	59,522	57,027
Expenses					
Functional expenses	28,925	29,186	(261)	51,272	49,292
Finance and FX movts	1,517	1,453	64	2,518	2,631
GSF and ACC liability movts	(282)	(282)	-	(282)	3,301
Total expenses	30,160	30,357	(197)	53,508	55,224
Net Surplus of TEIs	46	46	-	78	151
Minority interest	-	-	-	-	12
Operating balance	4,901	3,982	919	6,092	1,966

Table 3 below is a summary of the information presented on pages 22 to 25.

Table 3 – Summary Operating Balance by Segment

\$ million	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
Revenue					
January 2004 Actual YTD	27,137	11,851	5,202	(9,175)	35,015
January YTD forecast	26,722	11,322	5,360	(9,111)	34,293
Variance	415	529	(158)	(64)	722
Expenses					
January 2004 Actual YTD	23,526	10,962	4,732	(9,060)	30,160
January YTD forecast	23,742	10,626	5,005	(9,016)	30,357
Variance	(216)	336	(273)	(44)	(197)
TEI Surplus and Minority Interest					
January 2004 Actual YTD	-	46	-	-	46
January YTD forecast	-	46	-	-	46
Variance	-	-	-	-	-
Operating balance					
January 2004 Actual YTD	3,611	935	470	(115)	4,901
January YTD forecast	2,980	742	355	(95)	3,982
Variance	631	193	115	(20)	919

Overall, the largest operating balance variance was within the core Crown segment, reflecting higher-than-forecast tax revenue of \$198 million, higher investment income of \$145 million and lower-than-forecast expenses of \$216 million. Crown entities were higher than forecast primarily reflecting higher investment income in ACC and EQC. The state-owned enterprises segment¹ was higher than forecast due to higher sales of goods and services and foreign exchange gains.

¹ At the time of preparation of the forecast tracks, TVNZ was classified as an SOE. From January 2004 TVNZ has split into Transmission Holdings (SOE) and TVNZ (CE). This contributes to the variances of revenue and expenses at a segmental level, but has no overall impact on the aggregate performance.

Revenue

Total revenue was \$722 million higher than forecast, driven by both tax revenue and other non-tax revenue.

Tax Revenue

Tax revenue was higher-than-forecast by \$198 million. The major components of the variance were:

- Source deductions being higher-than-forecast by \$136 million, mainly due to timing and some of which is expected to reverse in February.
- Net goods and services being higher-than-forecast by \$167 million. It is unclear whether this trend will continue for the remainder of the year.

This was partially offset by other tax types being lower than forecast.

Non-tax Revenue

Within other non-tax revenue categories:

- Total investment income was higher-than-forecast by \$326 million (28.2%) due to an appreciation in investment asset values held by GSF, ACC and EQC.
- Sales of goods and services were \$104 million (1.7%) higher than forecast largely reflecting higher sales of goods and services within the SOE segment.

Expenses

Total expenses for the period were \$197 million lower than forecast, with core Crown functional expenses being lower-than-forecast by \$216 million.

Core Crown expense variances reflect that:

- Core government services expenses were lower-than-forecast by \$87 million, largely due to timing delays in Official Development Assistance and lower taxation debt provisioning as a result of a lower than expected debt base at 31 January 2004.
- Social security and welfare expenses were lower-than-forecast by \$62 million, primarily due to delays in implementing new programmes and lower child support provisioning as a result of a lower than expected debt base at 31 January 2004.
- Economic and industrial services expenses were lower-than-forecast by \$59 million due to delays in spending on industry and regional development and lower than expected spending on programmes associated with employment type expenses.

The expenses of SOEs and Crown entities were a further net \$63 million higher than forecast. More detailed financial information is shown on page 15 where the expenses by both total Crown and core Crown are presented by areas of functional spending (eg, health, education, defence, etc).

Financial Position

The Statement of Financial Position records the Crown's assets, liabilities and net worth as at 31 January 2004. Table 4 below provides a summary of the balance sheet as at 31 January 2004.

In summary, net worth is higher than forecast reflecting the operating balance improvements of \$919 million and some minor revaluations.

Table 4 – Summary of Balance Sheet

\$ million	January	January	Variance	
	Actual	Forecast	\$ million	%
Financial assets	34,226	34,499	(273)	(0.8)
Property, plant and equipment	52,703	52,894	(191)	(0.4)
Other assets	17,530	16,721	809	4.8
Total Assets	104,459	104,114	345	0.3
Gross debt	38,912	39,604	(692)	(1.7)
Provision for GSF pension liabilities	13,527	13,527	-	0.0
Provision for ACC outstanding claims	9,203	9,203	-	0.0
Other liabilities	14,216	14,064	152	1.1
Total Liabilities	75,858	76,398	(540)	(0.7)
Crown Balance (net worth)	28,601	27,716	885	3.2

Table 5 – Total Crown debt and core Crown debt information

\$ million	January	January	Variance	June 2004	June 2003
	2004 Actual YTD	2004 Forecast YTD			
			\$m	Forecast	Actual
Total Crown debt					
Gross Crown debt	38,912	39,604	(692)	36,118	38,285
% of GDP	29.7	30.2	(0.5)	26.5	29.7
Gross sovereign-issued debt	38,325	38,674	(349)	34,469	36,086
% of GDP	29.3	29.5	(0.3)	25.3	28.0
Core Crown debt information					
Gross core Crown debt	38,325	38,674	(349)	34,469	36,086
Financial assets	(26,204)	(26,284)	80	(23,963)	(23,029)
Debt less assets	12,121	12,390	(269)	10,506	13,057
NZS Fund and GSF assets	4,572	4,817	(245)	6,429	4,520
Core Crown net debt	16,693	17,207	(514)	16,935	17,577
% of GDP	12.7	13.1	(0.4)	12.4	13.6
GDP	130,935	130,935		136,112	129,039

Gross sovereign-issued debt (GSID) was lower-than-forecast by \$349 million primarily due to the movements in foreign exchange rates (which is net debt neutral). This does not impact on the progress towards the 25.3% of GDP forecast as part of the December Update. GSID is forecast to remain at around 30% of GDP until April when the 2004 bond matures.

Net (core) Crown debt was \$514 million lower than forecast, reflecting

- improved cash flow from operating activities of \$122 million, reflecting higher than forecast tax receipts and investment receipts, partially offset by higher operating payments;
- delays in investing activities of \$177 million, largely injections into District Health Boards and Housing Corporation;
- additional issues of circulating currency of \$188 million (which is not forecast as a matter of policy).

Core Crown Summary of Net Cash Flows

In terms of impact on gross sovereign-issued debt and core Crown net debt, the important determinant is the core Crown cash flow activity. It is this activity that impacts directly on the New Zealand Government Stock activity. The relevant financial information is included in the separate reconciliation of the core Crown cash flows to net bond issues (refer page 36).

Core Crown net cash flows for the seven months ended 31 January 2004 were as follows:

Table 6 – Core Crown Cash Flow Information

\$ million	January	January	Variance	
	Actual	Forecast	\$ million	%
Operating activities	2,571	2,449	122	5.0
Investing activities (including NZS Fund purchases of MSDs & equities, and excluding other net purchases of MSDs)	(2,443)	(2,719)	276	(10.2)
Net cash flow from core operating and investing activity	128	(270)	398	(147.4)
Net sale/(purchase) of other marketable securities and deposits	(1,775)	(1,659)	(116)	7.0
Financing activity	1,734	1,842	(108)	(5.9)
Net movement in cash	87	(87)	174	(200.0)

Net cash flows from operating activities were higher than forecast in January due to higher tax receipts and interest income, partially offset by higher personnel and operating costs.

Net cash outflows from investing activities (including NZS Fund contributions and excluding (purchases)/sales of marketable securities and deposits) were \$276 million lower than forecast, which was primarily due to delays in investing into Crown entities (Housing Corporation and District Health Boards), including delays in refinancing private sector debt. Some of this is timing related and a portion of this variance is expected to be transferred to 2004/05 as part of the Budget 2004 forecasts.

Comparison with prior year

	31 January 2004 actual \$m	31 January 2003 actual \$m	Change \$m	Change %
Statement of Financial Performance				
Total taxation revenue	24,624	23,183	1,441	6.2
Other revenue	10,391	8,386	2,005	23.9
Total Revenue	35,015	31,569	3,446	10.9
Social security and welfare	9,317	9,278	(39)	(0.4)
GSF pension expenses	262	1,061	799	75.3
Health	4,459	4,200	(259)	(6.2)
Education	4,665	4,150	(515)	(12.4)
Core government services	927	825	(102)	(12.4)
Law and order	1,164	1,108	(56)	(5.1)
Defence	637	624	(13)	(2.1)
Transport and communications	2,847	2,859	12	0.4
Economic and industrial services	2,420	1,996	(424)	(21.2)
Primary services	615	634	19	3.0
Heritage, culture and recreation	941	806	(135)	(16.7)
Housing and community development	345	302	(43)	(14.2)
Other	44	13	(31)	(238.5)
Finance costs	1,477	1,344	(133)	(9.9)
Net foreign-exchange losses/(gains)	40	7	(33)	(471.4)
Total Expenses	30,160	29,207	(953)	(3.3)
Net surplus of TEIs	46	88	(42)	(47.7)
Minority interest	-	-	-	-
Operating Balance	4,901	2,450	2,451	100.0
Debt indicators				
Gross sovereign-issued debt	38,325	37,999	(326)	(0.9)
Net core Crown debt	16,693	18,886	2,193	11.6

Taxation revenue was \$1,441 million higher than the seven months ended 31 January 2003. This mainly comprised of growth in source deductions reflecting strength in the labour market, growth in companies tax driven by strong returns and growth in goods and services tax.

Other revenue was \$2,005 million higher than the previous year largely due to higher investment income reflecting recovery in global equity markets and increased sales of goods and services reflecting higher spot prices for electricity.

Significant movements within total Crown functional expenses were:

- **Health** expenses were \$259 million higher than the previous year, due to the provision of new services and maintaining existing service levels as a result of demographic increases (reflecting Budget 2003 spending)
- **Education** expenses were \$515 million higher than the previous year, due to the impact of demand-driven expenses (roll growth) as well as policy initiatives from Budget 2003
- **Core government services** expenses were \$102 million higher than the previous year due largely to new policy initiatives
- **Economic and industrial services** expenses were \$424 million higher than the previous year, largely due to the electricity SOEs incurring higher costs due to high spot prices for electricity (offset entirely by higher revenue)

- **Heritage, culture and recreation** expenses were \$135 million higher than the previous year largely due to new policy initiatives.

Gross sovereign-issued debt (GSID) was \$326 higher than the previous year due to the issuance of additional Treasury Bills to the New Zealand Superannuation Fund which began operations on 30 September 2003, offset by movements in foreign exchange rates, maturity of debt which has not been rolled over and the classification of certain debt instruments (net debt neutral).

Net core Crown debt has reduced by \$2.2 billion from the previous year primarily due to cash flows from operations (\$5.5 billion), offset by purchase of investments including New Zealand Superannuation Fund contributions (\$2 billion) and purchase of physical assets (\$1.2 billion).



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

as at 31 December 2003

1 Reporting Entity

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

- Ministers of the Crown
- Reserve Bank of New Zealand
- Government Superannuation Fund
- Crown entities
- Departments
- State-owned enterprises
- Air New Zealand Limited

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

2 General Accounting Policies

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests and marketable securities, deposits & equity investments held for trading purposes. The accrual basis of accounting has been used unless otherwise stated.

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

3 Specific Accounting Policies

The specific accounting policies of the Crown were described on pages 39 to 49 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2003.

There have been no changes in the accounting policies during the period 1 July 2003 to 31 January 2004.

4 Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the 2003 December Economic and Fiscal Update (2003 DEFU), on 18 December 2003.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions reproduced in full on Treasury's website www.treasury.govt.nz/forecast/defu2003.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 31 December 2003

5 Comparative Figures

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

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

6 Outstanding Issues

While the fully consolidated Crown actuals and forecasts include the same reporting entities as previously, there are some issues still to be worked through. These issues may impact on the final form of the fully consolidated Crown forecasts and Crown Financial Statements.

The most significant issue is whether to combine tertiary education institution's (TEIs) in the Crown Financial Statements. The issue is not clear-cut. The Treasury, the Ministry of Education and TEIs are currently working through the issue, as outlined on page 60 of the 30 June 2003 Crown Financial Statements. The forecasts and actuals are continuing with the method of equity accounting TEIs.

STATEMENT OF FINANCIAL PERFORMANCE

for the seven months ended 31 January 2004

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m			Current Year Actual vs Forecast				Annual Forecast
			Note	Actual \$m	Forecast \$m	Variance \$m	%	\$m
Revenue Levied through the Crown's Sovereign Power								
39,785	23,183	Taxation revenue	1	24,624	24,426	198	0.8	42,251
2,763	1,535	Levies, fees, fines and penalties	1	1,780	1,746	34	1.9	3,013
42,548	24,718	Total Revenue Levied through the Crown's Sovereign Power	1	26,404	26,172	232	0.9	45,264
Earned through the Crown's Operations								
10,385	5,498	Sales of goods and services	2	6,069	5,965	104	1.7	10,380
1,859	407	Investment income	3	1,481	1,155	326	28.2	2,091
2,235	946	Other revenue	4	1,061	1,001	60	6.0	1,787
14,479	6,851	Total Revenue Earned through the Crown's Operations		8,611	8,121	490	6.0	14,258
57,027	31,569	Total Crown Revenue		35,015	34,293	722	2.1	59,522
Expenses By input type								
15,107	8,874	Subsidies and transfer payments	5	9,002	9,050	48	0.5	15,516
11,620	7,203	Personnel expenses	6	7,235	7,239	4	0.1	12,245
22,565	11,118	Operating expenses	7	12,688	12,897	209	1.6	23,476
-	-	Forecast for future new spending		-	-	-	-	35
2,550	1,344	Finance costs		1,477	1,491	14	0.9	2,556
81	7	Net foreign-exchange losses/(gains)		40	(38)	(78)	(205.3)	(38)
1,647	482	Movement in total GSF liability	14	(330)	(330)	-	-	(364)
1,654	179	Movement in total ACC liability	15	48	48	-	-	82
55,224	29,207	Total Crown Expenses		30,160	30,357	197	0.6	53,508
1,803	2,362	Revenues less Expenses		4,855	3,936	919	1.5	6,014
151	88	Net surplus TEIs		46	46	-	-	78
1,954	2,450	Operating Balance (including minority interest)		4,901	3,982	919	23.1	6,092
12	-	Minority interest		-	-	-	-	-
1,966	2,450	Operating Balance		4,901	3,982	919	23.1	6,092

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

STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

for the seven months ended 31 January 2004

Below is an analysis of total Crown expenses and core Crown expenses by functional classification. This information reconciles to the segment information within the Statement of Segments.

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
		Note	Actual \$m	Forecast \$m	Variance \$m	%	\$m
Total Crown expenses							
By functional classification							
17,084	9,278	Social security and welfare	9,317	9,350	33	0.4	15,971
2,625	1,061	GSF pension expenses	262	257	(5)	(1.9)	622
7,412	4,200	Health	4,459	4,436	(23)	(0.5)	7,961
7,788	4,150	Education	4,665	4,693	28	0.6	8,245
1,655	825	Core government services	927	1,011	84	8.3	1,683
1,911	1,108	Law and order	1,164	1,170	6	0.5	1,999
1,154	624	Defence	637	654	17	2.6	1,204
5,619	2,859	Transport and communications	2,847	2,971	124	4.2	5,329
		Economic and industrial					
4,280	1,996	services	2,420	2,444	24	1.0	4,509
1,023	634	Primary services	615	607	(8)	(1.3)	1,142
1,425	806	Heritage, culture and recreation	941	902	(39)	(4.3)	1,561
		Housing and community					
542	302	development	345	360	15	4.2	620
75	13	Other	44	42	(2)	(4.8)	109
2,550	1,344	Finance costs	1,477	1,498	21	1.4	2,556
		Net foreign-exchange					
81	7	losses/(gains)	40	(38)	(78)	(205.3)	(38)
-	-	Forecast for future new spending	-	-	-	-	35
55,224	29,207	Total Crown Expenses	30,160	30,357	197	0.6	53,508
Core Crown expenses							
By functional classification							
13,907	8,061	Social security and welfare	8,307	8,369	62	0.7	14,296
2,625	1,061	GSF pension expenses	262	257	(5)	(1.9)	622
7,501	4,302	Health	4,608	4,620	12	0.3	8,245
7,016	3,905	Education	4,321	4,348	27	0.6	7,570
1,780	897	Core government services	960	1,047	87	8.3	1,757
1,734	1,004	Law and order	1,055	1,053	(2)	(0.2)	1,826
1,199	650	Defence	669	684	15	2.2	1,247
1,408	551	Transport and communications	664	662	(2)	(0.3)	1,436
		Economic and industrial					
1,054	624	services	649	708	59	8.3	1,297
355	186	Primary services	195	206	11	5.3	417
515	279	Heritage, culture and recreation	347	351	4	1.1	641
		Housing and community					
102	53	development	76	86	10	11.6	146
75	13	Other	44	42	(2)	(4.8)	109
2,360	1,258	Finance costs	1,309	1,334	25	1.9	2,249
		Net foreign-exchange					
118	69	losses/(gains)	60	(25)	(85)	(340.0)	(25)
-	-	Forecast for future new spending	-	-	-	-	35
41,749	22,913	Total Expenses	23,526	23,742	216	0.9	41,868

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

STATEMENT OF CASH FLOWS

for the seven months ended 31 January 2004

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Cash Flows From Operations							
Cash was provided from							
39,499	22,634	Total tax receipts (refer Note 1)	24,261	24,165	96	0.4	42,215
2,531	1,503	Total other sovereign receipts (refer Note 1)	1,877	1,780	97	5.4	2,867
1,200	669	Interest	883	634	249	39.3	1,151
45	20	Dividends	30	37	(7)	(18.9)	60
10,543	6,591	Sales of goods and services	6,190	6,037	153	2.5	10,276
1,472	652	Other operating receipts	952	944	8	0.8	1,482
55,290	32,069	Total cash provided from operations	34,193	33,597	596	1.8	58,051
Cash was disbursed to							
15,305	9,167	Subsidies and transfer payments	9,075	9,256	181	2.0	15,965
30,087	18,001	Personnel and operating payments	19,114	18,602	(512)	(2.8)	32,385
2,203	1,256	Finance costs	1,251	1,287	36	2.8	2,360
-	-	Forecast for future new spending	-	-	-	-	35
47,595	28,424	Total cash disbursed to operations	29,440	29,145	(295)	(1.0)	50,745
7,695	3,645	Net Cash Flows From Operations	4,753	4,452	301	6.8	7,306
Cash Flows From Investing Activities							
Cash was provided from							
240	93	Sale of physical assets	103	73	30	41.1	28
240	93	Total cash provided from investing activities	103	73	30	41.1	28
Cash was disbursed to							
3,492	1,734	Purchase of physical assets	1,915	2,190	275	12.6	3,893
1,341	174	Net increase in advances	647	822	175	21.3	1,366
		Net purchase/(sale) of marketable securities,					
5,023	6,138	deposits & equity investments	3,734	3,372	362	10.7	(87)
-	-	Capital contingency provision	-	-	-	-	124
9,856	8,046	Total cash disbursed to investing activities	6,296	6,384	88	1.4	5,296
(9,616)	(7,953)	Net Cash Flows From Investing Activities	(6,193)	(6,311)	118	1.9	(5,268)
(1,921)	(4,308)	Net Cash Flows From Operating and Investing Activities	(1,440)	(1,859)	419	22.5	2,038
Cash Flows From Financing Activities							
Cash was Provided From							
147	237	Issues of circulating currency	221	33	188	-	33
292	2,465	Net issues/(repayment) of Government stock ¹	1,577	1,741	(164)	(9.4)	(1,018)
439	2,702	Total cash provided from financing activities	1,798	1,774	24	1.4	(985)
Cash was Disbursed to							
(392)	(566)	Net (issue)/repayment of other New Zealand-					
		dollar borrowing	(167)	(792)	(625)	(78.9)	1,330
(1,542)	(1,115)	Net repayment/(issue) of foreign-currency	479	707	228	32.2	11
		borrowing					
(1,934)	(1,681)	Total cash disbursed to financing activities	312	(85)	(397)	(467.1)	1,341
2,373	4,383	Net Cash Flows From Financing Activities	1,486	1,859	(373)	(20.1)	(2,326)
452	75	Net Movement in Cash	46	-	46	-	(288)
2,274	2,252	Opening Cash Balance	2,733	2,732	1	-	2,732
		Foreign-exchange gains/(losses) on					
6	4	opening cash	25	20	5	25.0	11
2,732	2,331	Closing Cash Balance	2,804	2,752	52	1.9	2,455

¹ Net issues of Government stock include movements within government stock holdings of entities such as NZS Fund, GSF, ACC and EQC. The Bonds reconciliation at the end of these accounts outlines NZDMO issues.

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the seven months ended 31 January 2004

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$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							
7,695	3,645	Net Cash Flows from Operations	4,753	4,452	301	7	7,306
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Valuation changes					
(1,647)	(482)	Decrease/(increase) in pension liabilities	330	330	-	-	364
(1,654)	(179)	(Increase)/decrease in ACC liabilities	(48)	(48)	-	-	(82)
(197)	-	National Provident Fund guarantee	-	-	-	-	-
(20)	-	Revaluation of commercial forests	-	-	-	-	-
(247)	(62)	Unrealised net foreign-exchange (losses)/gains	(133)	17	(150)	-	-
(349)	-	Other valuation changes	-	-	-	-	-
(4,114)	(723)	Total valuation changes	149	299	(150)	(50.2)	282
		Property, plant & equipment asset movements					
(2,177)	(1,190)	Depreciation	(1,343)	(1,390)	47	3.4	(2,446)
(19)	(24)	(Loss)/gain on sale of physical assets	-	-	-	-	-
(2,196)	(1,214)	Total property, plant & equipment movements	(1,343)	(1,390)	47	3.4	(2,446)
		Other Non-cash Items					
(79)	(12)	Student loans	(32)	(50)	18	36.0	(49)
(84)	(27)	Amortisation of goodwill	(27)	(27)	-	-	(47)
-	-	Accrued income from NZS Fund	-	-	-	-	72
(11)	(2)	Other	51	26	25	96.2	77
(174)	(41)	Total Other Non-cash Items	(8)	(51)	43	84.3	53
138	(439)	Total other investing and financing items	480	62	418	-	-
		Movements in Working Capital					
685	865	Increase/(decrease) in taxes receivable	360	146	214	146.6	23
854	715	Decrease/(increase) in other receivables	(124)	(339)	215	63.4	(517)
(56)	(8)	Increase/(decrease) in inventories	28	43	(15)	(34.9)	84
(866)	(350)	Decrease/(increase) in payables	606	760	(154)	(20.3)	1,307
617	1,222	Total movements in working capital	870	610	260	42.6	897
1,966	2,450	Operating Balance	4,901	3,982	919	23.1	6,092

STATEMENT OF MOVEMENTS IN EQUITY

for the seven months ended 31 January 2004

18,820	18,726	Opening Crown Balance	23,687	23,687	-	-	23,781
1,966	2,450	Operating balance for the period	4,901	3,982	919	23.1	6,092
2,995	75	Net revaluations	35	47	(12)	(25.5)	47
4,961	2,525	Total Recognised Revenues and Expenses	4,936	4,029	907	22.5	6,139
23,781	21,251	Closing Crown Balance	28,623	27,716	907	3.3	29,920

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

STATEMENT OF FINANCIAL POSITION

as at 31 January 2004

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m			Current Year Actual vs Forecast				Annual Forecast
			Note	Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets								
2,732	2,331	Cash and bank balances	8	2,804	2,752	52	1.9	2,455
		Marketable securities, deposits						
21,306	21,675	& equity investments	8	24,620	24,928	(308)	(1.2)	21,742
6,300	5,324	Advances	9	6,802	6,819	(17)	(0.2)	7,587
10,143	9,659	Receivables	10	10,379	9,950	429	4.3	9,649
840	916	Inventories		868	883	(15)	(1.7)	924
264	274	Other investments	11	246	259	(13)	(5.0)	261
52,667	49,651	Property, plant & equipment	12	52,703	52,894	(191)	(0.4)	53,527
312	332	Commercial forests		293	306	(13)	(4.2)	305
4,212	3,794	Investment in TEIs		4,394	4,394	-	-	4,428
1,075	745	Intangible assets		1,026	1,175	(149)	(12.7)	1,130
-	-	Forecast for new capital		-	-	-	-	124
99,851	94,701	Total Assets		104,135	104,360	(225)	(0.2)	102,132
Liabilities								
11,878	10,128	Payables and provisions	13	10,754	11,382	628	5.5	10,436
2,895	2,972	Currency issued		3,116	2,928	(188)	(6.4)	2,928
		Borrowings - sovereign						
31,077	32,931	guaranteed		31,860	32,663	803	2.5	29,063
		Borrowings - non-sovereign						
7,208	7,047	guaranteed		7,052	6,941	(111)	(1.6)	7,055
13,857	12,692	GSF Pension liability	14	13,527	13,527	-	-	13,493
9,155	7,680	ACC liability	15	9,203	9,203	-	-	9,237
76,070	73,450	Total Liabilities		75,512	76,644	1,132	1.5	72,212
23,781	21,251	Total Assets less Total Liabilities		28,623	27,716	907	3.3	29,920
Crown Balance								
8,063	8,499	Taxpayer funds		12,978	12,053	(925)	(7.7)	14,257
15,624	12,752	Revaluation reserve	16	15,645	15,663	18	0.1	15,663
94	-	Minority interest		-	-	-	-	-
23,781	21,251	Crown Balance		28,623	27,716	907	3.3	29,920

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 January 2004

Following is an analysis of the NZS Fund and Gross and Net Debt information.
The notes to the accounts provide breakdown of other key items.

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

New Zealand Superannuation Fund

Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown (for example the NZS Fund may hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock.

615	615	Opening balance	1,884	1,884	-	-	1,884
1,200	724	Gross contribution	1,145	1,145	-	-	1,879
69	49	Growth in contributions	87	56	31	55.4	122
1,884	1,388	NZS Fund balance	3,115	3,085	30.0	1.0	3,885

Gross and Net Debt information

Definitions of debt:

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

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

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

Total Crown Debt

38,285	39,978	Total Crown gross debt	38,912	39,604	(692)	(1.7)	36,118
36,086	37,999	Total gross sovereign-issued debt	38,325	38,674	(349)	(0.9)	34,469

Core Crown Debt

36,086	37,999	Gross sovereign-issued debt	38,325	38,674	(349)	(0.9)	34,469
(23,029)	(23,117)	Financial assets	(26,204)	(26,284)	80	0.3	(23,963)
13,057	14,882	Borrowings less financial assets	12,121	12,390	(269)	(2.2)	10,506
4,520	4,004	NZS Fund and GSF financial assets	4,572	4,817	(245)	(5.1)	6,429
17,577	18,886	Net Crown Debt	16,693	17,207	(514)	(3.0)	16,935

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

STATEMENT OF BORROWINGS

as at 31 January 2004

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Sovereign-Guaranteed Debt							
New Zealand-Dollar Debt							
18,745	20,281	Government stock	20,071	20,454	383	1.9	17,345
5,317	5,575	Treasury bills	5,612	5,626	14	0.2	5,389
(500)	(480)	Loans and foreign-exchange contracts	727	56	(671)	-	(159)
818	722	Retail stock	694	723	29	4.0	659
24,380	26,098	Total New Zealand-Dollar Debt	27,104	26,859	(245)	(0.9)	23,234
Foreign-Currency Debt							
2,495	4,196	United States dollars	1,662	1,583	(79)	(5.0)	1,608
835	258	Japanese yen	910	983	73	7.4	983
3,367	2,379	European and other currencies	2,184	3,238	1,054	32.6	3,238
6,697	6,833	Total Foreign-Currency Debt	4,756	5,804	1,048	18.1	5,829
31,077	32,931	Total Sovereign-Guaranteed Debt	31,860	32,663	803	2.5	29,063
Non-Sovereign-Guaranteed Debt							
5,739	5,659	New Zealand dollars	5,450	5,781	331	5.7	6,039
977	1,265	United States dollars	913	1,037	124	12.0	893
212	-	Japanese yen	-	-	-	-	-
280	123	European and other currencies	689	123	(566)	(460.2)	123
7,208	7,047	Total Non-Sovereign Debt	7,052	6,941	(111)	(1.6)	7,055
38,285	39,978	Total Borrowings (Gross Debt)	38,912	39,604	692	1.7	36,118
Less							
Financial Assets (including restricted assets)							
Marketable Securities, Deposits and Equity Investments							
8,276	10,602	New Zealand dollars	12,200	9,622	2,578	26.8	5,842
4,144	4,815	United States dollars	3,052	4,571	(1,519)	(33.2)	3,808
838	292	Japanese yen	1,115	1,017	98	9.6	1,017
2,247	1,524	European and other currencies	1,711	1,279	432	33.8	1,153
1,067	957	Reserve position at IMF	1,104	1,099	5	0.5	1,225
1,401	795	NZ equity investments	1,609	1,944	(335)	(17.2)	2,301
3,333	2,690	Foreign equity investments	3,829	5,396	(1,567)	(29.0)	6,396
21,306	21,675	Total Marketable Securities	24,620	24,928	(308)	(1.2)	21,742
Deposits & Equity Investments							
Advances and Cash							
5,370	4,932	Student loans	5,590	5,574	16	0.3	6,073
930	392	Other advances	1,212	1,245	(33)	(2.7)	1,514
2,732	2,331	Cash	2,804	2,752	52	1.9	2,455
9,032	7,655	Total Advances and Cash	9,606	9,571	35	0.4	10,042
30,338	29,330	Total Financial Assets	34,226	34,499	(273)	(0.8)	31,784
7,947	10,648	Borrowings less Financial Assets	4,686	5,105	419	8.2	4,334
11,478	12,730	Net New Zealand-dollar debt	9,193	11,514	2,321	20.2	11,088
(3,531)	(2,082)	Net foreign-currency debt	(4,507)	(6,409)	(1,902)	(29.7)	(6,754)
7,947	10,648	Borrowings less Financial Assets	4,686	5,105	419	8.2	4,334

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

STATEMENT OF COMMITMENTS

as at 31 January 2004

	As at 31 January 2004 \$m	As at 30 June 2003 \$m	As at 31 January 2003 \$m
Capital Commitments			
Specialist military equipment	131	292	430
Land and buildings	937	987	1,205
Other property, plant and equipment	753	862	806
Other capital commitments	102	145	29
TEIs	32	32	-
Total Capital Commitments	1,955	2,318	2,470
Operating Commitments			
Non-cancellable accommodation leases	1,311	1,268	1,359
Other non-cancellable leases	4,137	3,174	2,842
Non-cancellable contracts for the supply of goods and services	3,322	1,907	1,789
Other operating commitments	2,035	2,645	1,728
TEIs	316	316	-
Total Operating Commitments	11,121	9,310	7,718
Total Commitments	13,076	11,628	10,188
Total Commitments by Institutional Segment			
Core Crown	4,929	4,731	5,473
Crown entities	4,696	4,783	2,368
State-owned enterprises	3,451	2,114	2,347
Total Commitments	13,076	11,628	10,188

STATEMENT OF CONTINGENT LIABILITIES

as at 31 January 2004

	As at 31 January 2004 \$m	As at 30 June 2003 \$m	As at 31 January 2003 \$m
Quantifiable Contingent Liabilities			
Guarantees and Indemnities	347	418	273
Uncalled Capital	2,405	2,641	2,753
Legal Proceedings and Disputes	388	242	316
Other Contingent Liabilities	1,240	1,316	1,604
Total Quantifiable Contingent Liabilities	4,380	4,617	4,946
Total Quantifiable Contingent Liabilities by Institutional Segment			
Core Crown	4,223	4,418	4,745
Crown entities	10	45	10
State-owned enterprises	147	154	191
Total Quantifiable Contingent Liabilities	4,380	4,617	4,946
Quantifiable Contingent Assets			
Core Crown - Education and Transport	129	129	-
Total Quantifiable Contingent Assets	129	129	-

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

STATEMENT OF SEGMENTS

Financial Performance and Financial Position by institutional form

Current Year-To-Date Actual vs Forecast

(\$ million)	Core Crown		Crown entities	
	Actual	Forecast	Actual	Forecast
	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m
Revenue				
Taxation revenue	24,910	24,656	-	-
Other sovereign levied income	358	331	1,454	1,443
Sales of goods and services	436	464	1,026	742
Investment income	1,085	940	577	416
Other revenues	348	331	8,794	8,721
Total revenue	27,137	26,722	11,851	11,322
Expenses by input type				
Subsidies and transfer payments	8,178	8,240	824	810
Personnel expenses	2,586	2,582	3,757	3,715
Operating expenses	11,723	11,941	6,142	5,919
Finance costs	1,309	1,334	123	134
FX losses/(gains)	60	(25)	68	-
GSF and ACC liability revaluation movts	(330)	(330)	48	48
Total expenses	23,526	23,742	10,962	10,626
Expenses by functional classification				
Social security and welfare	8,378	8,369	1,256	1,225
Health	4,608	4,620	3,775	3,768
Education	4,321	4,348	3,416	3,362
Other functional classifications	4,850	5,096	2,324	2,137
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	1,369	1,309	191	134
Total expenses	23,526	23,742	10,962	10,626
Net surplus of TEIs	-	-	46	46
Minority interest	-	-	-	-
Operating balance	3,611	2,980	935	742

Statement of Financial Position (institutional form)

as at 31 January 2004 (actual to forecast)

(\$ million)	Core Crown		Crown entities	
	Actual	Forecast	Actual	Forecast
	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m
Assets				
Financial assets	26,204	26,284	11,744	11,702
Physical assets	17,286	17,176	25,505	25,552
Investment in SOEs & CE (including TEIs)	23,269	23,327	4,394	4,394
Other assets	8,809	8,550	2,387	2,274
Total assets	75,568	75,337	44,030	43,922
Liabilities				
Borrowings	36,565	37,161	3,356	3,068
Other liabilities	22,375	22,216	12,601	13,148
Total liabilities	58,940	59,377	15,957	16,216
Net worth	16,628	15,960	28,073	27,706
Taxpayer funds	11,930	11,296	18,421	18,042
Revaluation reserves	4,698	4,664	9,652	9,664
Net worth	16,628	15,960	28,073	27,706
Analysis of financial assets and borrowings				
Advances and cash	7,491	7,410	1,624	1,459
MSDs and equity investments	18,713	18,874	10,120	10,243
Total financial assets	26,204	26,284	11,744	11,702
Borrowings - Sovereign guaranteed	36,565	37,161	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,356	3,068
Total borrowings	36,565	37,161	3,356	3,068
Borrowings less financial assets	10,361	10,877	(8,388)	(8,634)
Net Crown debt	16,693	17,207	Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.	
Gross sovereign-issued debt	38,325	38,674		

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Current Year-To-Date Actual vs Forecast

(\$ million)	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m
Revenue						
Taxation revenue	-	-	(286)	(230)	24,624	24,426
Other sovereign levied income	-	-	(32)	(28)	1,780	1,746
Sales of goods and services	4,833	4,988	(226)	(229)	6,069	5,965
Investment income	66	57	(247)	(258)	1,481	1,155
Other revenues	303	315	(8,384)	(8,366)	1,061	1,001
Total revenue	5,202	5,360	(9,175)	(9,111)	35,015	34,293
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	9,002	9,050
Personnel expenses	894	945	(2)	(3)	7,235	7,239
Operating expenses	3,753	3,902	(8,930)	(8,865)	12,688	12,897
Finance costs	173	171	(128)	(148)	1,477	1,491
FX losses/(gains)	(88)	(13)	-	-	40	(38)
GSF and ACC liability revaluation movts	-	-	-	-	(282)	(282)
Total expenses	4,732	5,005	(9,060)	(9,016)	30,160	30,357
Expenses by functional classification						
Social security and welfare	-	-	(317)	(244)	9,317	9,350
Health	-	-	(3,924)	(3,952)	4,459	4,436
Education	-	-	(3,072)	(3,017)	4,665	4,693
Other functional classifications	4,647	4,847	(1,619)	(1,662)	10,202	10,418
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	85	158	(128)	(141)	1,517	1,460
Total expenses	4,732	5,005	(9,060)	(9,016)	30,160	30,357
Net surplus of TEIs	-	-	-	-	46	46
Minority interest	-	-	-	-	-	-
Operating balance	470	355	(115)	(95)	4,901	3,982

Statement of Financial Position (institutional form)

as at 31 January 2004 (actual to forecast)

(\$ million)	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m	January 2003/04 \$m
Assets						
Financial assets	2,456	2,409	(6,178)	(5,896)	34,226	34,499
Physical assets	9,912	10,166	-	-	52,703	52,894
Investment in SOEs & CE (including TEIs)	-	-	(23,269)	(23,327)	4,394	4,394
Other assets	2,297	2,620	(681)	(871)	12,812	12,573
Total assets	14,665	15,195	(30,128)	(30,094)	104,135	104,360
Liabilities						
Borrowings	5,169	5,271	(6,178)	(5,896)	38,912	39,604
Other liabilities	2,884	2,927	(1,260)	(1,251)	36,600	37,040
Total liabilities	8,053	8,198	(7,438)	(7,147)	75,512	76,644
Net worth	6,612	6,997	(22,690)	(22,947)	28,623	27,716
Taxpayer funds	5,339	5,662	(22,712)	(22,947)	12,978	12,053
Revaluation reserves	1,273	1,335	22	-	15,645	15,663
Net worth	6,612	6,997	(22,690)	(22,947)	28,623	27,716
Analysis of financial assets and borrowings						
Advances and cash	1,960	2,035	(1,469)	(1,333)	9,606	9,571
MSDs and equity investments	496	374	(4,709)	(4,563)	24,620	24,928
Total financial assets	2,456	2,409	(6,178)	(5,896)	34,226	34,499
Borrowings - Sovereign guaranteed	-	-	(4,705)	(4,498)	31,860	32,663
Borrowings - Non-sovereign guaranteed	5,169	5,271	(1,473)	(1,398)	7,052	6,941
Total borrowings	5,169	5,271	(6,178)	(5,896)	38,912	39,604
Borrowings less financial assets	2,713	2,862	-	-	4,686	5,105

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2004 (compared to actual 30 June 2003)

	Prior Year Actual vs Current Year Forecast			
	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
(\$ million)				
Revenue				
Taxation revenue	40,168	42,614	-	-
Other sovereign levied income	517	594	2,297	2,472
Sales of goods and services	730	759	1,245	1,223
Investment income	1,539	1,803	718	693
Other revenues	670	560	13,600	15,756
Total revenue	43,624	46,330	17,860	20,144
Expenses by input type				
Subsidies and transfer payments	13,798	14,129	1,309	1,387
Personnel expenses	4,011	4,203	6,054	6,387
Operating expenses	19,815	21,676	8,867	10,832
Finance costs	2,360	2,248	202	226
FX losses/(gains)	118	(24)	48	-
GSF and ACC liability movements	1,647	(364)	1,654	82
Total expenses	41,749	41,868	18,134	18,914
Expenses by functional classification				
Social security and welfare	13,907	14,296	3,587	2,099
Health	7,501	8,245	5,934	6,861
Education	7,016	7,570	4,724	5,907
Other functional classifications	10,847	9,498	3,639	3,821
Forecast for future new spending	-	35	-	-
Finance costs and FX losses/(gains)	2,478	2,224	250	226
Total expenses	41,749	41,868	18,134	18,914
Net surplus of TEIs	-	-	151	78
Minority interest	-	-	-	-
Operating balance	1,875	4,462	(123)	1,308

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

	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
(\$ million)				
Assets				
Financial assets	23,029	23,963	10,947	12,103
Physical assets	17,450	17,616	25,253	25,610
Investment in SOEs & CE (including TEIs)	23,166	24,020	4,212	4,428
Other assets	8,589	8,310	2,334	2,428
Total assets	72,234	73,909	42,746	44,569
Liabilities				
Borrowings	35,575	33,754	3,167	3,402
Other liabilities	23,661	22,686	12,753	12,814
Total liabilities	59,236	56,440	15,920	16,216
Net worth	12,998	17,469	26,826	28,353
Taxpayer Funds	8,316	12,781	17,160	18,654
Revaluation reserves	4,682	4,688	9,666	9,699
Minority interest	-	-	-	-
Net worth	12,998	17,469	26,826	28,353
Analysis of financial assets and borrowings				
Advances and cash	6,994	8,474	1,501	1,446
MSDs and equity investments	16,035	15,489	9,446	10,657
Total financial assets	23,029	23,963	10,947	12,103
Borrowings - Sovereign guaranteed	35,575	33,754	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,167	3,402
Total borrowings	35,575	33,754	3,167	3,402
Borrowings less financial assets	12,546	9,791	(7,780)	(8,701)
Net Crown debt	17,577	16,935	Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.	
Gross sovereign-issued debt	36,086	34,469		

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Forecast Statement of Financial Performance (institutional form)
for the year ended 30 June 2004 (compared to actual 30 June 2003)

(\$ million)	Prior Year Actual vs Current Year Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
Revenue						
Taxation revenue	-	-	(383)	(363)	39,785	42,251
Other sovereign levied income	-	-	(51)	(53)	2,763	3,013
Sales of goods and services	8,797	8,814	(387)	(416)	10,385	10,380
Investment income	104	108	(502)	(513)	1,859	2,091
Other revenues	588	531	(12,623)	(15,060)	2,235	1,787
Total revenue	9,489	9,453	(13,946)	(16,405)	57,027	59,522
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	15,107	15,516
Personnel expenses	1,557	1,658	(2)	(3)	11,620	12,245
Operating expenses	7,334	6,888	(13,451)	(15,885)	22,565	23,511
Finance costs	267	315	(279)	(233)	2,550	2,556
FX losses/(gains)	(85)	(14)	-	-	81	(38)
GSF and ACC liability revaluation movts	-	-	-	-	3,301	(282)
Total expenses	9,073	8,847	(13,732)	(16,121)	55,224	53,508
Expenses by functional classification						
Social security and welfare	-	-	(410)	(424)	17,084	15,971
Health	-	-	(6,023)	(7,145)	7,412	7,961
Education	-	-	(3,952)	(5,232)	7,788	8,245
Other functional classifications	8,891	8,546	(3,068)	(3,087)	20,309	18,778
Forecast for future new spending	-	-	-	-	-	35
Finance costs and FX losses/(gains)	182	301	(279)	(233)	2,631	2,518
Total expenses	9,073	8,847	(13,732)	(16,121)	55,224	53,508
Net surplus of TEIs	-	-	-	-	151	78
Minority interest	12	-	-	-	12	-
Operating balance	428	606	(214)	(284)	1,966	6,092

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

(\$ million)	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
Assets						
Financial assets	2,016	2,537	(5,654)	(6,819)	30,338	31,784
Physical assets	9,964	10,301	-	-	52,667	53,527
Investment in SOEs & CE (including TEIs)	-	-	(23,166)	(24,020)	4,212	4,428
Other assets	2,508	2,696	(797)	(1,041)	12,634	12,393
Total assets	14,488	15,534	(29,617)	(31,880)	99,851	102,132
Liabilities						
Borrowings	5,197	5,781	(5,654)	(6,819)	38,285	36,118
Other liabilities	2,663	2,570	(1,292)	(1,976)	37,785	36,094
Total liabilities	7,860	8,351	(6,946)	(8,795)	76,070	72,212
Net worth	6,628	7,183	(22,671)	(23,085)	23,781	29,920
Taxpayer Funds	5,258	5,907	(22,671)	(23,085)	8,063	14,257
Revaluation reserves	1,276	1,276	-	-	15,624	15,663
Minority interest	94	-	-	-	94	-
Net worth	6,628	7,183	(22,671)	(23,085)	23,781	29,920
Analysis of financial assets and borrowings						
Advances and cash	1,541	2,190	(1,004)	(2,068)	9,032	10,042
MSDs and equity investments	475	347	(4,650)	(4,751)	21,306	21,742
Total financial assets	2,016	2,537	(5,654)	(6,819)	30,338	31,784
Borrowings - Sovereign guaranteed	-	-	(4,498)	(4,691)	31,077	29,063
Borrowings - Non-sovereign guaranteed	5,197	5,781	(1,156)	(2,128)	7,208	7,055
Total borrowings	5,197	5,781	(5,654)	(6,819)	38,285	36,118
Borrowings less financial assets	3,181	3,244	-	-	7,947	4,334

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 1: Revenue Collected Through the Crown's Sovereign Power							
Income Tax Revenue (accrual)							
Individuals							
15,933	9,328	Source deductions	9,968	9,832	136	1.4	16,897
4,195	2,365	Other persons	2,360	2,320	40	1.7	4,172
(834)	(462)	Refunds	(460)	(465)	5	1.1	(844)
375	225	Fringe benefit tax	232	231	1	0.4	403
19,669	11,456	Total Individuals	12,100	11,918	182	1.5	20,628
Corporate Tax							
5,245	3,016	Gross companies tax	3,462	3,549	(87)	(2.5)	5,964
(191)	(78)	Refunds	(53)	(66)	13	20	(142)
732	447	Non-resident withholding tax	495	494	1	0.2	821
154	86	Foreign-source dividend w/holding payments	79	78	1	1.3	135
5,940	3,471	Total Corporate Tax	3,983	4,055	(72)	(1.8)	6,778
Other Income Tax							
1,111	606	Resident w/holding tax on interest income	673	676	(3)	(0.4)	1,163
57	49	Resident w/holding tax on dividend income	34	37	(3)	(8.1)	55
1	1	Estate and gift duties	2	1	1	100.0	2
1,169	656	Total Other Income Tax	709	714	(5)	(0.7)	1,220
26,778	15,583	Total Income Tax	16,792	16,687	105	0.6	28,626
Goods and Services Tax							
14,959	8,587	Gross goods and services tax	9,204	8,886	318	3.6	15,752
(6,221)	(3,587)	Refunds	(3,854)	(3,703)	(151)	(4.1)	(6,415)
8,738	5,000	Total Goods and Services Tax	5,350	5,183	167	3.2	9,337
Other Taxation							
995	579	Petroleum fuels excise	544	541	3	0.6	952
850	568	Tobacco excise	520	548	(28)	(5.1)	855
750	460	Customs duty	410	440	(30)	(6.8)	738
621	357	Road user charges	379	375	4	1.1	646
465	291	Alcohol excise	288	299	(11)	(3.7)	482
248	144	Gaming duties	148	161	(13)	(8.1)	273
197	114	Motor vehicle fees	118	118	-	-	203
94	59	Energy resources levies	46	45	1	2.2	84
49	28	Approved issuer levy and cheque duty	29	29	-	-	55
4,269	2,600	Total Other Indirect Taxation	2,482	2,556	(74)	(2.9)	4,288
13,007	7,600	Total Indirect Taxation	7,832	7,739	93	1.2	13,625
39,785	23,183	Total Tax Revenue Collected	24,624	24,426	198	0.8	42,251
Other Sovereign Revenues (accrual)							
1,854	1,007	ACC levies	1,177	1,175	2	0.2	2,033
228	122	Fire Service levies	147	141	6	4.3	224
77	45	EQC levies	45	46	(1)	(2.2)	78
604	361	Other miscellaneous items	411	384	27	7.0	678
2,763	1,535	Total Other Sovereign Revenues	1,780	1,746	34	1.9	3,013
42,548	24,718	Total Sovereign Revenue	26,404	26,172	232	0.9	45,264

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Receipts Collected Through the Crown's Sovereign Power

Income Tax Receipts (cash)

Individuals

15,623	9,129	Source deductions	9,885	9,899	(14)	(0.1)	16,897
4,499	2,172	Other persons	2,155	2,203	(48)	(2.2)	4,631
(1,287)	(771)	Refunds	(847)	(805)	(42)	(5.2)	(1,302)
374	280	Fringe benefit tax	300	294	6	2.0	400
19,209	10,810	Total Individuals	11,493	11,591	(98)	(0.8)	20,626

Corporate Tax

6,021	3,290	Gross companies tax	4,108	3,952	156	3.9	6,668
(821)	(362)	Refunds	(571)	(521)	(50)	(10)	(869)
740	505	Non-resident withholding tax	568	567	1	0.2	824
160	68	Foreign-source dividend w/holding payments	52	55	(3)	(5.5)	129
6,100	3,501	Total Corporate Tax	4,157	4,053	104	2.6	6,752

Other Income Tax

1,104	607	Resident w/holding tax on interest income	686	680	6	0.9	1,163
56	46	Resident w/holding tax on dividend income	52	37	15	40.5	55
2	1	Estate and gift duties	1	1	-	-	2
1,162	654	Total Other Income Tax	739	718	21	2.9	1,220
26,471	14,965	Total Income Tax	16,389	16,362	27	0.2	28,598

Goods and Services Tax

14,489	8,368	Gross goods and services tax	8,936	8,741	195	2.2	15,503
(5,718)	(3,322)	Refunds	(3,634)	(3,549)	(85)	(2.4)	(6,165)
8,771	5,046	Total Goods and Services Tax	5,302	5,192	110	2.1	9,338

Other Taxation

971	558	Petroleum fuels excise	559	551	8	1.5	952
867	628	Tobacco excise	560	591	(31)	(5.2)	850
712	425	Customs duty	433	439	(6)	(1.4)	738
620	356	Road user charges	379	375	4	1.1	644
461	282	Alcohol excise	287	293	(6)	(2.0)	479
277	161	Gaming duties	153	159	(6)	(3.8)	272
201	120	Motor vehicle fees	122	122	-	-	203
97	62	Energy resources levies	45	48	(3)	(6.3)	85
51	31	Approved issuer levy and cheque duty	32	33	(1)	(3.0)	56
4,257	2,623	Total Other Indirect Taxation	2,570	2,611	(41)	(1.6)	4,279
13,028	7,669	Total Indirect Taxation	7,872	7,803	69	0.9	13,617
39,499	22,634	Total Tax Receipts Collected	24,261	24,165	96	0.4	42,215

Other Sovereign Receipts (cash)

1,638	1,019	ACC levies	1,363	1,271	92	7.2	1,999
227	140	Fire Service levies	148	141	7	5.0	226
77	47	EQC levies	49	48	1	2.1	79
589	297	Other miscellaneous items	317	320	(3)	(0.9)	563
2,531	1,503	Total Other Sovereign Receipts	1,877	1,780	97	5.4	2,867
42,030	24,137	Total Sovereign Receipts	26,138	25,945	193	0.7	45,082

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 2: Sale of Goods and Services

The Statement of Institutional Segments shows the sale of goods and services as a total for each area of the Crown Estate (ie, total sales for core Crown, Crown entities and SOEs). The total for Crown entities includes such items as lottery sales, housing rental, CRI sales and so on. The total sales of SOEs represents the majority of their income from electricity generation and distribution services, postal services, advertising, air travel sales and so on.

NOTE 3: Investment Income

		Investment Income					
1,086	486	Interest income	730	659	71	10.8	1,224
393	222	Student loans	214	215	(1)	(0.5)	402
50	21	Dividends	32	35	(3)	(8.6)	57
		Gains/(losses) on marketable securities					
304	(322)	deposits and equity investments	479	240	239	99.6	269
26	-	Other	26	6	20	333.3	139
1,859	407	Total Investment Income	1,481	1,155	326	28.2	2,091

NOTE 4: Other Revenue

(20)	-	Unrealised gains arising from changes in the value of commercial forests	-	-	-	-	-
130	67	GSF contributions	63	59	4	6.8	110
44	26	Petroleum royalties	19	25	(6)	(24.0)	38
31	18	Cost recovery income from fisheries	-	-	-	-	-
2,050	835	Other	979	917	62	6.8	1,639
2,235	946	Total Other Operational Revenue	1,061	1,001	60	6.0	1,787

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 5: Subsidies and Transfer Payments							
		Social Assistance Grants					
5,642	3,286	New Zealand superannuation	3,433	3,435	2	0.1	5,890
1,309	904	ACC payments	824	810	(14)	(1.7)	1,386
1,520	888	Domestic purposes benefit	917	916	(1)	(0.1)	1,146
1,274	777	Unemployment benefit	690	699	9	1.3	1,561
862	462	Family support	482	486	4	0.8	836
387	211	Student allowances	206	205	(1)	(0.5)	391
3,742	2,165	Other social assistance grants	2,250	2,257	7	0.3	3,883
113	70	Subsidies	63	78	15	19.2	145
		Other Transfer Payments					
230	91	Official development assistance	115	139	24	17.3	245
28	20	Other	22	25	3	12.0	33
15,107	8,874	Total Subsidies and Transfer Payments	9,002	9,050	48	0.5	15,516

NOTE 6: Personnel Expenses

The Statement of Institutional Segments shows the personnel expenses as a total for each area of the Crown Estate (ie, total personnel expenses for core Crown, Crown entities and SOEs).

978	804	GSF pension costs	592	587	(5)	(0.9)	986
78	41	Other pension expenses	50	45	(5)	(11.1)	77
10,564	6,358	Other personnel expenses	6,593	6,607	14	0.2	11,182
11,620	7,203	Total Personnel Expenses	7,235	7,239	4	0.1	12,245

NOTE 7: Operating Expenses

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

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

		Depreciation expenses:					
701	234	Buildings	416	432	16	3.7	737
86	51	Electricity distribution networks	67	68	1	1.5	116
143	81	Electricity generation assets	83	89	6	6.7	161
168	97	Specialist military equipment (SME)	103	104	1	1.0	182
199	121	State highways	123	123	-	-	211
105	90	Aircraft (excluding SME)	118	115	(3)	(2.6)	137
676	375	Other plant and equipment	378	415	37	8.9	816
99	141	Other assets	55	44	(11)	(25.0)	86
2,177	1,190	Total depreciation costs	1,343	1,390	47	3.4	2,446
		Other operating expenses:					
712	443	Rental and leasing costs	403	404	1	0.2	703
67	199	Change in provision for doubtful debts	243	250	7	2.8	217
188	36	Write off of bad debts	44	42	(2)	(4.8)	67
84	27	Goodwill amortised	27	27	-	-	47
306	174	Grants paid	164	149	(15)	(10.1)	252
301	176	Lottery prize payments	216	202	(14)	(6.9)	303
19	24	Loss/(gain) on sale of assets	-	-	-	-	-
18,711	8,849	Other operating expenses	10,248	10,433	185	1.8	19,441
22,565	11,118	Total Operating Expenses	12,688	12,897	209	1.6	23,476

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments							
By category:							
2,732	2,331	Total cash	2,804	2,752	52	1.9	2,455
15,505	17,232	Marketable securities and deposits	18,078	16,489	1,589	9.6	11,819
4,734	3,486	Equity investments (eg, shares)	5,438	7,340	(1,902)	(25.9)	8,698
1,067	957	Reserve position at the IMF	1,104	1,099	5	0.5	1,225
21,306	21,675	Total MSDs and Equity Investments	24,620	24,928	(308)	(1.2)	21,742
24,038	24,006	Cash and MSDs & Equity Investments	27,424	27,680	(256)	(0.9)	24,197
By portfolio management:							
11,348	12,814	Reserve Bank and DMO managed funds	14,045	13,974	71	0.5	8,976
1,884	1,388	NZS Fund	1,627	1,897	(270)	(14.2)	3,496
2,636	2,616	Government Superannuation Fund	2,945	2,920	25	0.9	2,933
1,224	1,012	EQC portfolio	1,492	1,491	1	0.1	3,996
3,403	2,511	ACC portfolio	3,332	3,783	(451)	(11.9)	1,539
811	1,334	Other holdings	1,179	863	316	36.6	802
21,306	21,675	Total MSDs & Equity Investments	24,620	24,928	(308)	(1.2)	21,742

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

Nature of financial assets – some are restricted in their purpose

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

New Zealand Superannuation Fund

The assets of the NZS Fund is the Government's means of building up assets to partially pre-fund future NZS expenses and may only be used for NZ Superannuation. The assets in this fund total \$3 billion, which have largely been invested in New Zealand Treasury Bills, and is therefore eliminated from the Statement of Financial Position as it is an internal Government holding. The Government's contributions to the NZS Fund are calculated over a 40-year rolling horizon to ensure Superannuation entitlements over the next 40 years can be met.

Government Superannuation Fund

The GSF Authority administers the financial assets of the GSF totalling over \$3.3b. These assets result from contributions by beneficiaries built up through time and can only be applied to the ongoing payment of GSF benefits (as provided by the GSF Act). Also refer Note 14 Outstanding Liability associated with GSF benefits.

EQC – Natural Disaster Fund (NDF)

The EQC is New Zealand's primary provider of seismic disaster insurance to residential property owners. EQC administers the NDF, comprising capital and reserves. EQC draws on the NDF money to pay out claims for damage caused by natural disasters.

ACC portfolio

The ACC manages the ACC scheme. At present there is a substantial outstanding claims liability associated with past claims of around \$9.2b. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 15 Outstanding Claims Liability.

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

1,884	1,388	NZS Fund	2,975	3,085	(110)	(3.6)	3,885
3,182	3,023	GSF net assets (including portfolio)	3,302	3,248	54	1.7	3,284
4,922	4,031	ACC portfolio	5,214	5,472	(258)	(4.7)	5,779
4,062	3,911	EQC portfolio	4,219	4,220	(1)	-	4,356

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 9: Advances							
5,370	4,932	Student loans (see analysis below)	5,590	5,574	16	0.3	6,073
501	-	KiwiBank mortgages	832	839	(7)	(0.8)	1,069
68	66	Residential care loans	71	71	-	-	75
43	45	Maori development rural lending	47	47	-	-	49
28	30	Forestry encouragement loans	28	28	-	-	28
6	6	Catchment authorities	5	5	-	-	4
284	245	Other	229	255	(26)	(10.2)	289
6,300	5,324	Total Advances	6,802	6,819	(17)	(0.2)	7,587
Analysis of Student Loans							
Outstanding balance							
6,094	5,695	Total loans outstanding (including interest)	6,445	6,419	26	0.4	6,870
(724)	(763)	Total provisions (capital and interest)	(855)	(845)	(10)	(1.2)	(797)
5,370	4,932	Total Student Loans	5,590	5,574	16	0.3	6,073
Movement during the year							
4,749	4,749	Opening balance	5,370	5,370	-	-	5,368
952	329	Amount advanced in current year	406	394	12	3.0	1,028
393	222	Interest accrued on outstanding loan balances	214	211	3	1.4	402
(252)	(134)	Repayment of base capital	(154)	(140)	(14)	(10.0)	(282)
(186)	(97)	Repayment of accrued interest	(110)	(121)	11	9.1	(210)
(291)	(138)	Interest written off and movement in provision for interest write-offs and doubtful debts	(138)	(142)	4	2.8	(241)
5	1	Other movements	2	2	-	-	8
5,370	4,932	Closing Balance	5,590	5,574	16	0.3	6,073
NOTE 10: Receivables							
5,375	5,555	Taxes receivable	5,735	5,521	214	3.9	5,398
4,262	3,321	Accounts receivable	3,898	3,717	181	4.9	3,820
200	253	Receivable from the sale and purchase of Maui gas	193	191	2	1.0	153
306	530	Prepayments	553	521	32	6.1	278
10,143	9,659	Total Receivables	10,379	9,950	429	4.3	9,649
NOTE 11: Other Investments							
89	99	International Bank for Reconstruction and Development	79	89	(10)	(11.2)	89
92	96	Asian Development Bank	82	92	(10)	(10.9)	92
83	79	Other	85	78	7	9.0	80
264	274	Total Other Investments	246	259	(13)	(5.0)	261

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 12: Property, Plant and Equipment							
By Type							
Gross Carrying Value							
6,748	6,338	Land (valuation)	6,776	6,597	179	2.7	6,532
454	472	Properties intended for sale (valuation)	456	459	(3)	(0.7)	459
19,092	16,455	Buildings (valuation)	19,485	20,053	(568)	(2.8)	20,270
2,178	2,154	Electricity distribution network (valuation)	2,164	2,244	(80)	(3.6)	2,293
1,253	1,239	Electricity generation assets (cost)	1,266	1,286	(20)	(1.6)	1,383
1,234	1,747	Aircraft (ex SME) (valuation)	1,348	1,339	9	0.7	1,400
12,556	12,144	State highways (valuation)	12,759	12,766	(7)	(0.1)	12,980
3,098	2,780	Specialist military equipment (valuation)	2,587	2,599	(12)	(0.5)	2,929
8,584	8,987	Other plant and equipment (cost)	8,997	9,009	(12)	(0.1)	9,556
5,331	6,424	Other assets (valuation)	5,253	5,178	75	1.4	5,320
60,528	58,740	Total Gross Carrying Value	61,091	61,530	(439)	(0.7)	63,122
Accumulated Depreciation							
1,503	1,708	Buildings	1,843	1,985	142	7.2	2,297
198	176	Electricity distribution network	205	269	64	23.8	310
174	148	Electricity generation assets	205	207	2	1.0	232
-	90	Aircraft (ex SME)	118	115	(3)	(2.6)	137
-	121	State highways	123	123	-	-	210
756	685	Specialist military equipment	408	411	3	0.7	487
4,776	4,868	Other plant and equipment	5,065	5,079	14	0.3	5,462
454	1,293	Other assets	421	447	26	5.8	460
7,861	9,089	Total Accumulated Depreciation	8,388	8,636	248	2.9	9,595
Net Carrying Value							
6,748	6,338	Land (valuation)	6,776	6,597	179	2.7	6,532
454	472	Properties intended for sale (valuation)	456	459	(3)	(0.7)	459
17,589	14,747	Buildings (valuation)	17,642	18,068	(426)	(2.4)	17,973
1,980	1,978	Electricity distribution network (valuation)	1,959	1,975	(16)	(0.8)	1,983
1,079	1,091	Electricity generation assets (cost)	1,061	1,079	(18)	(1.7)	1,151
1,234	1,657	Aircraft (ex SME) (valuation)	1,230	1,224	6	0.5	1,263
12,556	12,023	State highways (valuation)	12,636	12,643	(7)	(0.1)	12,770
2,342	2,095	Specialist military equipment (valuation)	2,179	2,188	(9)	(0.4)	2,442
3,808	4,119	Other plant and equipment (cost)	3,932	3,930	2	0.1	4,094
4,877	5,131	Other assets (valuation)	4,832	4,731	101	2.1	4,860
52,667	49,651	Total Net Carrying Value	52,703	52,894	(191)	(0.4)	53,527
By holding							
52,167	49,276	Freehold assets	52,250	52,139	111	0.2	53,121
500	375	Leasehold assets	453	755	(302)	(40.0)	406
52,667	49,651	Total Net Carrying Value	52,703	52,894	(191)	(0.4)	53,527
NOTE 13: Payables and Provisions							
7,054	5,651	Accounts payable and accruals	6,157	6,708	551	8.2	5,763
2,154	2,160	Taxes repayable	2,039	2,151	112	5.2	2,139
588	473	Provisions	527	505	(22)	(4.4)	488
882	685	National Provident Fund guarantee	882	882	-	-	882
1,200	1,159	Provision for employee entitlements	1,149	1,136	(13)	(1.1)	1,164
11,878	10,128	Total Payables and Provisions	10,754	11,382	628	5.5	10,436

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: GSF Liability

Calculation information

The Government Superannuation Fund (GSF) assets and liabilities have been calculated by the Government Actuary as at 31 October 2003 for inclusion within the 2003 December Economic and Fiscal Update (DEFU). The liability arises from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A projected Aggregate Funding method is used for the valuation, based on membership data as at the balance date. The funding method requires the benefits payable from the GSF in respect of past service to be calculated and then discounted back to the valuation date.

The GSF liability included in the 2003 DEFU was calculated using discount rates derived from the market yield curve as at the balance date (31 October 2003). This resulted in a long-term after-tax discount rate of 4.5% (4.0% at 30 June 2003). The other principal long-term financial assumptions used in the calculation remain unchanged from 30 June 2003, which were an inflation rate of 2.0%, and an annual salary increases rate, before any promotional effects of 3.0%.

Presentation and forecast approach

The projected gross liability is included within total liabilities. The GSF has available to it a portfolio of assets that partially offset the gross liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet.

Regular revaluations occur as part of Crown forecasting processes for the December and Budget Economic and Fiscal Updates. Within the monthly Crown financial statements the projected liability will be assumed to be static. The asset position is based on forecasts of contributions, investment returns (based on an expected long-run average rate of return) and benefit payments.

The assets of the GSF scheme will fluctuate during the year due to changes in the market value of its investments, particularly the equity investments. These movements will be reflected in the monthly accounts as part of investment income (movements in asset values) and will likely differ from the monthly forecasts. Movements in the value of the assets will also reflect differences in contribution income and benefit payments.

Volatility in monthly results

The forecasts assume a constant long-term rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
GSF liability and asset information							
Gross GSF liability							
12,210	12,210	Opening gross liability	13,857	13,857	-	-	13,857
1,647	482	Net projected change	(330)	(330)	-	-	(364)
13,857	12,692	Closing gross liability	13,527	13,527	-	-	13,493
Less net assets available to the GSF scheme							
3,287	3,287	Opening asset value	3,182	3,182	-	-	3,182
82	(164)	Net projected change:					
		- Investment valuation changes	224	144	80	55.6	102
(187)	(100)	- Contributions and other income less	(104)	(78)	(26)	(33.3)	-
(105)	(264)	membership payments	120	66	54	81.8	102
3,182	3,023	Closing net asset values	3,302	3,248	54	1.7	3,284
Net unfunded liability of the GSF schemes							
8,923	8,923	Opening unfunded liability	10,675	10,675	-	-	10,675
1,752	746	Net projected change	(450)	(396)	54	13.6	(466)
10,675	9,669	Net unfunded liability	10,225	10,279	54	0.5	10,209

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: ACC Claims Liability

Calculation information

Trowbridge Deloitte Limited, Consulting Actuaries, have prepared the independent actuarial estimate of the ACC claims liability as at 30 June 2003 (which has been used as the basis for the forecast information). This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of managing these claims.

Key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI) increase of 2.3% (2.0% at 30 June 2002) and discount rate of 6.0% (5.5% at 30 June 2003, 6.8% at 30 June 2002). The other key variable in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

Presentation approach

The projected gross liability is included within total liabilities. The ACC has available to it a portfolio of assets that partially offset the gross liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet.

Within the monthly Crown financial statements, the projected liability is presumed to move from the opening position to the projected closing position evenly each month. This is reflected in the actual monthly accounts and is updated as part of regular valuations performed for Crown forecast purposes. This approach differs to that used by the ACC for their reporting where the projected liability is based on 30 June 2003 discount rates. The assets held by ACC may fluctuate due to changes in asset values, particularly the equity markets. These movements will also be reflected in the monthly accounts as part of investment income (movements in asset values).

Volatility in monthly results

The forecasts presume a rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
ACC liability and asset information							
Gross ACC liability							
7,501	7,501	Opening gross liability	9,155	9,155	-	-	9,155
1,654	179	Net projected change	48	48	-	-	82
9,155	7,680	Closing gross liability	9,203	9,203	-	-	9,237
Less net assets available to ACC							
3,865	3,865	Opening net asset value	4,901	4,901	-	-	4,901
1,036	227	Net projected change	601	485	116	23.9	829
4,901	4,092	Closing net asset values	5,502	5,386	116	2.2	5,730
Net ACC reserves (net liability)							
(3,636)	(3,636)	Opening reserves position	(4,254)	(4,254)	-	-	(4,254)
(618)	51	Net projected change	553	437	(116)	(26.5)	747
(4,254)	(3,585)	Closing reserves position (net liability)	(3,701)	(3,817)	(116)	(3.0)	(3,507)

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 16: Revaluation Reserves

Movement in Asset Revaluation Reserves

12,672	12,672	Opening Balance	15,624	15,624	-	-	15,624
		Net Revaluations					
2,078	62	Land and buildings	20	18	2	11.1	18
444	-	State highways	-	-	-	-	-
275	-	TEIs	-	-	-	-	-
198	13	Other assets	15	29	(14)	(48.3)	29
2,995	75	Total Net Revaluations	35	47	(12)	(25.5)	47
(43)	5	Transfers to taxpayer funds	(14)	(8)	(6)	(75)	(8)
15,624	12,752	Closing Asset Revaluation Reserve	15,645	15,663	(18)	(0.1)	15,663

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 January 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds							
This statement outlines the Core Crown Bonds reconciliation. Government stock balances and flows between the NZDMO, NZS Fund and the GSF are not eliminated. This presents the complete activity of the NZDMO bond programme.							
Core Crown Cash Flows from Operations							
39,842	22,764	Total tax receipts	24,394	24,296	98	0.4	42,579
399	236	Total other sovereign receipts	244	246	(2)	(0.8)	438
1,310	678	Interest, profits and dividends	826	589	237	40.2	1,161
1,185	783	Sale of goods & services and other receipts	797	868	(71)	(8.2)	1,307
(14,071)	(8,327)	Subsidies and transfer payments	(8,318)	(8,315)	(3)	-	(14,351)
(21,703)	(12,950)	Personnel and operating costs	(14,223)	(14,086)	(137)	(1.0)	(24,231)
(2,106)	(1,226)	Finance costs	(1,149)	(1,149)	-	-	(2,083)
-	-	Forecasts for future new spending	-	-	-	-	(35)
4,856	1,958	Net Cash Flows From Operations	2,571	2,449	122	5.0	4,785
Investing flows							
<i>Net advances</i>							
(698)	(194)	Student loans	(212)	(221)	9	4.1	-
(107)	(15)	Housing New Zealand Corporation	(50)	(55)	5	9.1	-
(114)	(25)	District health boards and RHMU	(187)	(274)	87	31.8	-
(44)	-	Tranz Rail New Zealand Limited	44	44	-	-	-
48	48	Contact Energy Limited	-	-	-	-	-
19	13	Other	32	22	10	45.5	(1,729)
(896)	(173)	Total Net Advances	(373)	(484)	111	22.9	(1,729)
(1,059)	(658)	Net purchase of physical assets	(813)	(801)	(12)	(1.5)	(1,359)
<i>Net investments</i>							
(275)	(152)	District health boards	(38)	(102)	64	62.7	-
(69)	(5)	Housing New Zealand Corporation	(23)	(108)	85	78.7	-
(140)	(80)	Other	(51)	(79)	28	35.4	(781)
(1,200)	(724)	Net purchase of MSDs/equities by NZS Fund	(1,145)	(1,145)	-	-	(1,879)
-	-	Forecast new capital spending	-	-	-	-	(144)
(1,684)	(961)	Net (purchase)/sale of Investments	(1,257)	(1,434)	177	12.3	(2,804)
1,217	166	(Required to be financed)/Available for debt repayment	128	(270)	398	147.4	(1,107)
<i>Used in:</i>							
(1,944)	(3,341)	Other net (purchase)/sale of marketable securities and deposits	(1,775)	(1,659)	(116)	(7.0)	2,391
(727)	(3,175)	Total Investing activities	(1,647)	(1,929)	282	14.6	1,284
(417)	227	Net issue/(repayment) of other New Zealand-dollar borrowing	195	729	(534)	(73.3)	61
1,658	1,119	Net issue/(repayment) of foreign currency borrowing	(445)	(661)	216	32.7	(868)
69	217	Net outflows/(inflow) of cash	(87)	87	(174)	(200.0)	278
147	237	Issues of circulating currency	221	33	188	-	33
1,457	1,800		(116)	188	(304)	(161.7)	(496)
730	(1,375)	Net Repayment of/(Cash Proceeds from) Domestic Bonds	(1,763)	(1,741)	(22)	(1.3)	788
Gross Cash Proceeds from Domestic Bonds							
2,551	1,517	Domestic bonds (market)	1,715	1,726	(11)	(0.6)	2,235
279	-	Domestic bonds (non-market)	48	33	15	45.5	396
2,830	1,517	Total Gross Cash Proceeds from Domestic Bonds	1,763	1,759	4	0.2	2,631
(2,823)	-	Repayment of domestic bonds (market)	-	-	-	-	(3,044)
(737)	(142)	Repayment of domestic bonds (non-market)	-	(18)	18	100.0	(375)
(730)	1,375	Net (Repayments of)/Cash Proceeds from Domestic Bonds	1,763	1,741	22	1.3	(788)