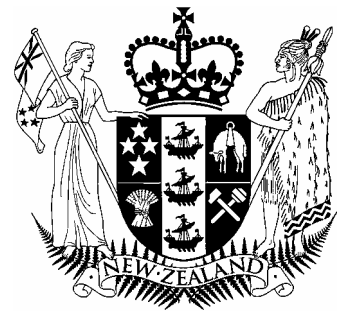


Financial Statements of the Government of New Zealand

For the Nine Months
Ended 31 March 2004



7 May 2004

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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 — NINE MONTHS TO MARCH 2004

Table 1 – Summary Fiscal Indicators

\$ million	March	March	Variance \$m	June 2004 Forecast	June 2003 Actual
	2004 Actual YTD	2004 Forecast YTD			
Operating balance	7,399	5,887	1,512	6,092	1,966
OBERAC	6,759	5,887	872	5,207	5,580
Net worth	31,119	29,621	1,498	29,920	23,781
Net cash flow from core operating and investing activity	1,213	126	1,087	(1,107)	1,217
Total Crown debt	39,259	39,881	(622)	36,118	38,285
Gross sovereign-issued debt	37,969	38,409	(440)	34,469	36,086
% of GDP	28.5	28.9	(0.4)	25.3	28.0
Net core Crown debt	15,285	16,285	(1,000)	16,935	17,577

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

The majority of the variances to forecast reported in the March financial statements will be reflected in the 2004 Budget Economic and Fiscal Update to be released on 27 May 2004.

The **operating balance** was \$7,399 million, which was higher-than-forecast by \$1,512 million. The key drivers of the forecast variance were:

- Tax revenue being higher-than-forecast by \$278 million.
- Investment income being higher-than-forecast by \$548 million due to appreciation in investment asset values held by GSF, NZS Fund, ACC and EQC.
- Total Crown expenses being lower-than-forecast by \$531 million, including lower core Crown expenses of \$439 million.

The **OBERAC** was \$6,759 million. The difference between the OBERAC and the operating balance is largely due to investment asset movements (\$640 million).

Core Crown cash flows from operations (cash equivalent of OBERAC) was \$4,567 million. This has been applied to purchasing physical assets, advances and investing activities totalling \$3,354 million. This leaves a cash surplus of \$1,213 million, which is higher-than-forecast by \$1,087 million due to improved cash receipts and delays in investing spending.

Gross sovereign-issued debt (GSID) was \$38 billion (28.5% of GDP), which was \$440 million lower than forecast due largely to movements in foreign exchange rates (net debt neutral).

Net (core) Crown debt was \$15.3 billion, which was \$1,000 million lower than forecast reflecting improved cash flow from operating activities, delays in investing activities and the additional issue of circulating currency.

COMPARISON WITH FORECAST

Financial Performance

The financial statements for the nine months ended 31 March 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	March 2004 Actual YTD	March 2004 Forecast YTD	Variance \$m	June 2004 Forecast	June 2003 Actual
Revenue					
Taxation revenue	32,550	32,272	278	42,251	39,785
Levies, fees, fines & penalties	2,260	2,232	28	3,013	2,763
Other revenue	11,147	10,472	675	14,258	14,479
Total revenue	45,957	44,976	981	59,522	57,027
Expenses					
Functional expenses	36,877	37,531	(654)	51,272	49,292
Finance and FX movts	2,008	1,885	123	2,518	2,631
GSF and ACC liability movts	(268)	(268)	-	(282)	3,301
Total expenses	38,617	39,148	(531)	53,508	55,224
Net Surplus of TEIs	59	59	-	78	151
Minority interest	-	-	-	-	12
Operating balance	7,399	5,887	1,512	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					
March 2004 Actual YTD	35,896	15,405	6,611	(11,955)	45,957
March YTD forecast	35,250	14,721	6,927	(11,922)	44,976
Variance	646	684	(316)	(33)	981
Expenses					
March 2004 Actual YTD	30,187	14,220	6,008	(11,798)	38,617
March YTD forecast	30,626	13,842	6,430	(11,750)	39,148
Variance	(439)	378	(422)	(48)	(531)
TEI Surplus and Minority Interest					
March 2004 Actual YTD	-	59	-	-	59
March YTD forecast	-	59	-	-	59
Variance	-	-	-	-	-
Operating balance					
March 2004 Actual YTD	5,709	1,244	603	(157)	7,399
March YTD forecast	4,624	938	497	(172)	5,887
Variance	1,085	306	106	15	1,512

Overall, the largest operating balance variance was within the core Crown segment, reflecting higher-than-forecast tax revenue of \$356 million, higher investment income of \$202 million and lower-than-forecast expenses of \$439 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 mainly due to 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 \$981 million higher than forecast, driven by both tax revenue and other non-tax revenue.

Tax Revenue

Tax revenue was higher-than-forecast by \$278 million. This was largely due to net goods and services tax being higher-than-forecast by \$225 million.

The remaining variance in tax revenue is spread over a number of tax types.

Non-tax Revenue

Within other non-tax revenue categories:

- Total investment income was higher-than-forecast by \$548 million due largely to an appreciation in investment asset values held by GSF, NZS Fund, ACC and EQC;
- Other revenue was higher-than-forecast by \$131 million spread across a number of entities.

Expense

Total expenses for the period were \$531 million lower than forecast, with core Crown functional expenses being lower-than-forecast by \$439 million.

Core Crown expense variances reflect that:

- Education expenses were lower-than-forecast by \$142 million, largely due to a timing delay in student loan provisioning which is not expected to have an impact on the year end results;
- Social security and welfare expenses were lower-than-forecast by \$122 million. This was mainly due to delays in implementing new programmes, lower benefit expenses spread over a number of benefit types and lower child support debt provisioning;
- Core government services expenses were lower-than-forecast by \$118 million. This was mainly due to timing delays in NZ Aid expenditure, which is expected to be in line with forecast at year end, and lower taxation debt provisioning due to a lower than expected tax receivable base at March 2004;
- Economic and industrial services expenses were lower-than-forecast by \$74 million. This is primarily due to delays in spending on industry and regional development including employment related programmes and the timing of spending on immigration related initiatives. Also contributing to the variance was lower than anticipated spending on subsidised work and training schemes.

The expenses of SOEs and Crown entities were a further net \$44 million lower 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 March 2004. Table 4 below provides a summary of the balance sheet as at 31 March 2004.

In summary, net worth is higher than forecast reflecting the operating balance improvements of \$1,512 million and some minor revaluations.

Table 4 – Summary of Balance Sheet

\$ million	March	March	Variance	
	Actual	Forecast	\$ million	%
Financial assets	37,010	36,083	927	2.6
Property, plant and equipment	53,062	53,363	(301)	(0.6)
Other assets	17,259	17,674	(415)	(2.3)
Total Assets	107,331	107,120	211	0.2
Gross debt	39,259	39,881	(622)	(1.6)
Provision for GSF pension liabilities	13,527	13,527	-	0.0
Provision for ACC outstanding claims	9,217	9,217	-	0.0
Other liabilities	14,209	14,874	(665)	(4.5)
Total Liabilities	76,212	77,499	(1,287)	(1.7)
Crown Balance (net worth)	31,119	29,621	1,498	5.1

Table 5 – Total Crown debt and core Crown debt information

\$ million	March	March	Variance \$m	June 2004 Forecast	June 2003 Actual
	2004 Actual YTD	2004 Forecast YTD			
Total Crown debt					
Gross Crown debt	39,259	39,881	(622)	36,118	38,285
<i>% of GDP</i>	29.5	30.0	(0.5)	26.5	29.7
Gross sovereign-issued debt	37,969	38,409	(440)	34,469	36,086
<i>% of GDP</i>	28.5	28.9	(0.3)	25.3	28.0
Core Crown debt information					
Gross core Crown debt	37,969	38,409	(440)	34,469	36,086
Financial assets	(28,034)	(27,653)	(381)	(23,963)	(23,029)
Debt less assets	9,935	10,756	(821)	10,506	13,057
NZS Fund and GSF assets	5,350	5,529	(179)	6,429	4,520
Core Crown net debt	15,285	16,285	(1,000)	16,935	17,577
<i>% of GDP</i>	11.5	12.2	(0.8)	12.4	13.6
GDP	133,068	133,068		136,112	129,039

Gross sovereign-issued debt (GSID) was lower-than-forecast by \$440 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 29% of GDP until April when the 2004 bond matures.

Net (core) Crown debt was \$1,000 million lower than forecast, reflecting:

- improved cash flow from operating activities of \$662 million, reflecting higher than forecast tax receipts and investment receipts, partially offset by higher operating payments;
- delays in investing activities of around \$444 million (mainly injections into District Health Boards and Housing New Zealand Corporation) and an additional \$150 million advance/equity swap to Housing New Zealand Corporation which was not forecast;
- additional issues of circulating currency of \$140 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 nine months ended 31 March 2004 were as follows:

Table 6 – Core Crown Cash Flow Information

\$ million	March	March	Variance	
	Actual	Forecast	\$ million	%
Operating activities	4,567	3,905	662	17.0
Investing activities (including NZS Fund purchases of MSDs & equities, and excluding other net purchases of MSDs)	(3,354)	(3,779)	425	(11.2)
Net cash flow from core operating and investing activity	1,213	126	1,087	862.7
Net sale/(purchase) of other marketable securities and deposits	(2,989)	(1,918)	(1,071)	55.8
Financing activity	1,609	1,613	(4)	(0.2)
Net movement in cash	(167)	(179)	12	(6.7)

Net cash flows from operating activities were higher than forecast in March due mainly to higher than expected 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 \$425 million lower than forecast, primarily due to delays in investing in Crown entities (Housing New Zealand Corporation and District Health Boards) and a \$150 million advance/equity swap to Housing New Zealand Corporation which was not forecast. Some of this is timing related and a portion of this variance is expected to be carried forward to 2004/05 as part of the Budget 2004 forecasts.

Comparison with Prior Year

	31 March 2004 Actual \$m	31 March 2003 Actual \$m	Change \$m	Change %
Statement of Financial Performance				
Total taxation revenue	32,550	30,590	1,960	6.4
Other revenue	13,407	11,459	1,948	17.0
Total Revenue	45,957	42,049	3,908	9.3
Social security and welfare	11,892	11,791	(101)	(0.9)
GSF pension expenses	418	1,967	1,549	78.7
Health	5,767	5,416	(351)	(6.5)
Education	5,799	5,580	(219)	(3.9)
Core government services	1,203	1,071	(132)	(12.3)
Law and order	1,480	1,400	(80)	(5.7)
Defence	838	827	(11)	(1.3)
Transport and communications	3,759	3,761	2	0.1
Economic and industrial services	2,995	2,883	(112)	(3.9)
Primary services	803	753	(50)	(6.6)
Heritage, culture and recreation	1,152	1,004	(148)	(14.7)
Housing and community development	456	394	(62)	(15.7)
Other	47	59	12	20.3
Finance costs	1,938	1,747	(191)	(10.9)
Net foreign-exchange losses/(gains)	70	(2)	(72)	-
Total Expenses	38,617	38,651	34	0.1
Net surplus of TEIs	59	60	(1)	(1.7)
Minority interest	-	-	-	-
Operating Balance	7,399	3,458	3,941	114.0
Debt indicators				
Gross sovereign-issued debt	37,969	36,727	(1,242)	(3.4)
Net core Crown debt	15,285	17,555	2,270	12.9

Taxation revenue was \$1,960 million (growth of 6.4%) higher than the nine months ended 31 March 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 \$1,948 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 \$351 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 \$219 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 \$132 million higher than the previous year due largely to new policy initiatives
- **Economic and industrial services** expenses were \$112 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 \$148 million higher than the previous year largely due to new policy initiatives.

Gross sovereign-issued debt (GSID) was \$1,242 million 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 \$2.3 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 (\$1.9 billion) and purchase of physical assets (\$1.2 billion).



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

as at 31 March 2004

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 Statements 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 March 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 March 2004

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 nine months ended 31 March 2004

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Revenue								
Levied through the Crown's Sovereign Power								
39,785	30,590	Taxation revenue	1	32,550	32,272	278	0.9	42,251
2,763	1,992	Levies, fees, fines and penalties	1	2,260	2,232	28	1.3	3,013
42,548	32,582	Total Revenue Levied through the Crown's Sovereign Power	1	34,810	34,504	306	0.9	45,264
Earned through the Crown's Operations								
10,385	7,604	Sales of goods and services	2	7,672	7,676	(4)	(0.1)	10,380
1,859	616	Investment income	3	2,062	1,514	548	36.2	2,091
2,235	1,247	Other revenue	4	1,413	1,282	131	10.2	1,787
14,479	9,467	Total Revenue Earned through the Crown's Operations		11,147	10,472	675	6.4	14,258
57,027	42,049	Total Crown Revenue		45,957	44,976	981	2.2	59,522
Expenses								
By input type								
15,107	11,319	Subsidies and transfer payments	5	11,515	11,612	97	0.8	15,516
11,620	8,970	Personnel expenses	6	9,045	9,149	104	1.1	12,245
22,565	15,153	Operating expenses	7	16,317	16,770	453	2.7	23,476
-	-	Forecast for future new spending		-	-	-	-	35
2,550	1,747	Finance costs		1,938	1,931	(7)	(0.4)	2,556
81	(2)	Net foreign-exchange losses/(gains)		70	(46)	(116)	(252.2)	(38)
1,647	1,234	Movement in total GSF liability	14	(330)	(330)	-	-	(364)
1,654	230	Movement in total ACC liability	15	62	62	-	-	82
55,224	38,651	Total Crown Expenses		38,617	39,148	531	1.4	53,508
1,803	3,398	Revenues less Expenses		7,340	5,828	1,512	0.8	6,014
151	60	Net surplus TEIs		59	59	-	-	78
1,954	3,458	Operating Balance (including minority interest)		7,399	5,887	1,512	25.7	6,092
12	-	Minority interest		-	-	-	-	-
1,966	3,458	Operating Balance		7,399	5,887	1,512	25.7	6,092

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

STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

for the nine months ended 31 March 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 March 2003 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Note	Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
		By functional classification					
17,084	11,791	Social security and welfare	11,892	11,961	69	0.6	15,971
2,625	1,967	GSF pension expenses	418	422	4	0.9	622
7,412	5,416	Health	5,767	5,735	(32)	(0.6)	7,961
7,788	5,580	Education	5,799	6,012	213	3.5	8,245
1,655	1,071	Core government services	1,203	1,317	114	8.7	1,683
1,911	1,400	Law and order	1,480	1,495	15	1.0	1,999
1,154	827	Defence	838	847	9	1.1	1,204
5,619	3,761	Transport and communications	3,759	3,956	197	5.0	5,329
		Economic and industrial					
4,280	2,883	services	2,995	3,084	89	2.9	4,509
1,023	753	Primary services	803	805	2	0.2	1,142
1,425	1,004	Heritage, culture and recreation	1,152	1,112	(40)	(3.6)	1,561
		Housing and community					
542	394	development	456	472	16	3.4	620
75	59	Other	47	45	(2)	(4.4)	109
2,550	1,747	Finance costs	1,938	1,931	(7)	(0.4)	2,556
		Net foreign-exchange					
81	(2)	losses/(gains)	70	(46)	(116)	(252.2)	(38)
-	-	Forecast for future new spending	-	-	-	-	35
55,224	38,651	Total Crown Expenses	38,617	39,148	531	1.4	53,508
		Core Crown expenses					
		By functional classification					
13,907	10,266	Social security and welfare	10,589	10,711	122	1.1	14,296
2,625	1,967	GSF pension expenses	418	422	4	0.9	622
7,501	5,558	Health	5,935	5,968	33	0.6	8,245
7,016	5,214	Education	5,430	5,572	142	2.5	7,570
1,780	1,160	Core government services	1,242	1,360	118	8.7	1,757
1,734	1,263	Law and order	1,345	1,344	(1)	(0.1)	1,826
1,199	859	Defence	880	884	4	0.5	1,247
1,408	756	Transport and communications	898	897	(1)	(0.1)	1,436
		Economic and industrial					
1,054	778	services	850	924	74	8.0	1,297
355	247	Primary services	254	274	20	7.3	417
515	337	Heritage, culture and recreation	421	425	4	0.9	641
		Housing and community					
102	67	development	103	108	5	4.6	146
75	59	Other	47	45	(2)	(4.4)	109
2,360	1,620	Finance costs	1,706	1,717	11	0.6	2,249
		Net foreign-exchange					
118	58	losses/(gains)	69	(25)	(94)	(376.0)	(25)
-	-	Forecast for future new spending	-	-	-	-	35
41,749	30,209	Total Expenses	30,187	30,626	439	1.4	41,868

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

STATEMENT OF CASH FLOWS

for the nine months ended 31 March 2004

Prior Year 30 June 2003 \$m	Actual 31 March 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	29,604	Total tax receipts (refer Note 1)	31,783	31,454	329	1.0	42,215
2,531	1,899	Total other sovereign receipts (refer Note 1)	2,263	2,209	54	2.4	2,867
1,200	909	Interest	1,151	792	359	45.3	1,151
45	31	Dividends	46	46	-	-	60
10,543	7,454	Sales of goods and services	7,825	7,623	202	2.6	10,276
1,472	812	Other operating receipts	1,104	1,164	(60)	(5.2)	1,482
55,290	40,709	Total cash provided from operations	44,172	43,288	884	2.0	58,051
Cash was disbursed to							
15,305	11,495	Subsidies and transfer payments	11,646	11,824	178	1.5	15,965
30,087	21,758	Personnel and operating payments	23,671	23,512	(159)	(0.7)	32,385
2,203	1,471	Finance costs	1,593	1,588	(5)	(0.3)	2,360
-	-	Forecast for future new spending	-	-	-	-	35
47,595	34,724	Total cash disbursed to operations	36,910	36,924	14	-	50,745
7,695	5,985	Net Cash Flows From Operations	7,262	6,364	898	14.1	7,306
Cash Flows From Investing Activities							
Cash was provided from							
240	120	Sale of physical assets	116	97	19	19.6	28
240	120	Total cash provided from investing activities	116	97	19	19.6	28
Cash was disbursed to							
3,492	2,297	Purchase of physical assets	2,516	2,881	365	12.7	3,893
1,341	625	Net increase in advances	1,258	1,324	66	5.0	1,366
		Net purchase/(sale) of marketable securities,			-		
5,023	5,453	deposits & equity investments	5,111	4,002	(1,109)	(27.7)	(87)
-	-	Capital contingency provision	-	-	-	-	124
9,856	8,375	Total cash disbursed to investing activities	8,885	8,207	(678)	(8.3)	5,296
(9,616)	(8,255)	Net Cash Flows From Investing Activities	(8,769)	(8,110)	(659)	(8.1)	(5,268)
(1,921)	(2,270)	Net Cash Flows From Operating and Investing Activities	(1,507)	(1,746)	239	13.7	2,038
Cash Flows From Financing Activities							
Cash was Provided From							
147	231	Issues of circulating currency	173	33	140	424.2	33
292	2,653	Net issues/(repayment) of Government stock ¹	1,747	1,943	(196)	(10.1)	(1,018)
439	2,884	Total cash provided from financing activities	1,920	1,976	(56)	(2.8)	(985)
Cash was Disbursed to							
(392)	677	Net (issue)/repayment of other New Zealand-dollar borrowing	(47)	(308)	(261)	(84.7)	1,330
(1,542)	(112)	Net repayment/(issue) of foreign-currency borrowing	389	516	127	24.6	11
(1,934)	565	Total cash disbursed to financing activities	342	208	(134)	(64.4)	1,341
2,373	2,319	Net Cash Flows From Financing Activities	1,578	1,768	(190)	(10.7)	(2,326)
452	49	Net Movement in Cash	71	22	49	222.7	(288)
2,274	2,274	Opening Cash Balance	2,732	2,732	-	-	2,732
6	(4)	Foreign-exchange (losses)/gains on opening cash	(41)	21	(62)	(295.2)	11
2,732	2,319	Closing Cash Balance	2,762	2,775	(13)	(0.5)	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 nine months ended 31 March 2004

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
7,695	5,985	Net Cash Flows from Operations	7,262	6,364	898	14	7,306
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
Valuation changes							
(1,647)	(1,234)	Decrease/(increase) in pension liabilities	330	330	-	-	364
(1,654)	(230)	(Increase)/decrease in ACC liabilities	(62)	(62)	-	-	(82)
(197)	-	National Provident Fund guarantee	-	-	-	-	-
(20)	-	Revaluation of commercial forests	-	-	-	-	-
(247)	(78)	Unrealised net foreign-exchange (losses)/gains	(217)	(19)	(198)	-	-
(349)	-	Other valuation changes	-	-	-	-	-
(4,114)	(1,542)	Total valuation changes	51	249	(198)	(79.5)	282
Property, plant & equipment asset movements							
(2,177)	(1,752)	Depreciation	(1,734)	(1,805)	71	3.9	(2,446)
(19)	(27)	(Loss)/gain on sale of physical assets	-	-	-	-	-
(2,196)	(1,779)	Total property, plant & equipment movements	(1,734)	(1,805)	71	3.9	(2,446)
Other Non-cash Items							
(79)	(77)	Student loans	39	(58)	97	167.2	(49)
(84)	(35)	Amortisation of goodwill	(35)	(35)	-	-	(47)
-	-	Accrued income from NZS Fund	-	-	-	-	72
(11)	60	Other	62	59	3	5.1	77
(174)	(52)	Total Other Non-cash Items	66	(34)	100	294.1	53
138	(431)	Total other investing and financing items	780	272	508	186.8	-
Movements in Working Capital							
685	984	Increase/(decrease) in taxes receivable	733	792	(59)	(7.4)	23
854	816	(Decrease)/increase in other receivables	(476)	(277)	(199)	(71.8)	(517)
(56)	(11)	Increase/(decrease) in inventories	51	47	4	8.5	84
(866)	(512)	Decrease/(increase) in payables	666	279	387	138.7	1,307
617	1,277	Total movements in working capital	974	841	133	15.8	897
1,966	3,458	Operating Balance	7,399	5,887	1,512	25.7	6,092

STATEMENT OF MOVEMENTS IN EQUITY

for the nine months ended 31 March 2004

18,820	18,726	Opening Crown Balance	23,687	23,687	-	-	23,781
1,966	3,458	Operating balance for the period	7,399	5,887	1,512	25.7	6,092
2,995	90	Net revaluations	33	47	(14)	(29.8)	47
4,961	3,548	Total Recognised Revenues and Expenses	7,432	5,934	1,498	25.2	6,139
23,781	22,274	Closing Crown Balance	31,119	29,621	1,498	5.1	29,920

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2004

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets								
2,732	2,319	Cash and bank balances	8	2,762	2,775	(13)	(0.5)	2,455
		Marketable securities, deposits & equity investments	8	26,874	25,998	876	3.4	21,742
21,306	21,477	Advances	9	7,374	7,310	64	0.9	7,587
6,300	5,699	Receivables	10	10,400	10,658	(258)	(2.4)	9,649
10,143	9,898	Inventories		891	887	4	0.5	924
840	913	Other investments	11	247	259	(12)	(4.6)	261
264	276	Property, plant & equipment	12	53,062	53,363	(301)	(0.6)	53,527
52,667	49,852	Commercial forests		293	306	(13)	(4.2)	305
312	332	Investment in TEIs		4,407	4,407	-	-	4,428
4,212	3,718	Intangible assets		1,021	1,157	(136)	(11.8)	1,130
1,075	729	Forecast for new capital		-	-	-	-	124
-	-							
99,851	95,213	Total Assets		107,331	107,120	211	0.2	102,132
Liabilities								
11,878	10,270	Payables and provisions	13	11,141	11,946	805	6.7	10,436
2,895	2,966	Currency issued		3,068	2,928	(140)	(4.8)	2,928
		Borrowings - sovereign guaranteed		31,892	32,751	859	2.6	29,063
31,077	31,709	Borrowings - non-sovereign guaranteed		7,367	7,130	(237)	(3.3)	7,055
7,208	6,819	GSF Pension liability	14	13,527	13,527	-	-	13,493
13,857	13,444	ACC liability	15	9,217	9,217	-	-	9,237
9,155	7,731							
76,070	72,939	Total Liabilities		76,212	77,499	1,287	1.7	72,212
Total Assets less Total Liabilities								
23,781	22,274			31,119	29,621	1,498	5.1	29,920
Crown Balance								
8,063	9,523	Taxpayer funds		15,477	13,958	(1,519)	(10.9)	14,257
15,624	12,751	Revaluation reserve	16	15,642	15,663	21	0.1	15,663
94	-	Minority interest		-	-	-	-	-
23,781	22,274	Crown Balance		31,119	29,621	1,498	5.1	29,920

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 March 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 March 2003 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
New Zealand Superannuation Fund						
Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown (for example the NZS Fund may hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock.						
615	615	1,884	1,884	-	-	1,884
1,200	923	1,424	1,424	-	-	1,879
69	47	98	66	32	48.5	122
1,884	1,585	3,406	3,374	32.0	0.9	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	38,528	Total Crown gross debt	39,259	39,881	(622)	(1.6)	36,118
36,086	36,727	Total gross sovereign-issued debt	37,969	38,409	(440)	(1.1)	34,469
		Core Crown Debt					
36,086	36,727	Gross sovereign-issued debt	37,969	38,409	(440)	(1.1)	34,469
(23,029)	(23,354)	Financial assets	(28,034)	(27,653)	(381)	(1.4)	(23,963)
13,057	13,373	Borrowings less financial assets	9,935	10,756	(821)	(7.6)	10,506
4,520	4,182	NZS Fund and GSF financial assets	5,350	5,529	(179)	(3.2)	6,429
17,577	17,555	Net Crown Debt	15,285	16,285	(1,000)	(6.1)	16,935

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

STATEMENT OF BORROWINGS

as at 31 March 2004

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
Sovereign-Guaranteed Debt							
New Zealand-Dollar Debt							
18,745	20,471	Government stock	20,276	20,534	258	1.3	17,345
5,317	5,183	Treasury bills	5,479	5,552	73	1.3	5,389
(500)	(855)	Loans and foreign-exchange contracts	(1,868)	56	1,924	-	(159)
818	797	Retail stock	706	738	32	4.3	659
24,380	25,596	Total New Zealand-Dollar Debt	24,593	26,880	2,287	8.5	23,234
Foreign-Currency Debt							
2,495	3,488	United States dollars	2,637	1,649	(988)	(59.9)	1,608
835	106	Japanese yen	1,090	983	(107)	(10.9)	983
3,367	2,519	European and other currencies	3,572	3,239	(333)	(10.3)	3,238
6,697	6,113	Total Foreign-Currency Debt	7,299	5,871	(1,428)	(24.3)	5,829
31,077	31,709	Total Sovereign-Guaranteed Debt	31,892	32,751	859	2.6	29,063
Non-Sovereign-Guaranteed Debt							
5,739	5,560	New Zealand dollars	5,689	5,979	290	4.9	6,039
977	1,136	United States dollars	984	1,028	44	4.3	893
212	-	Japanese yen	-	-	-	-	-
280	123	European and other currencies	694	123	(571)	(464.2)	123
7,208	6,819	Total Non-Sovereign Debt	7,367	7,130	(237)	(3.3)	7,055
38,285	38,528	Total Borrowings (Gross Debt)	39,259	39,881	622	1.6	36,118
Less							
Financial Assets (including restricted assets)							
Marketable Securities, Deposits and Equity Investments							
8,276	9,719	New Zealand dollars	8,955	10,238	(1,283)	(12.5)	5,842
4,144	5,343	United States dollars	5,270	4,232	1,038	24.5	3,808
838	137	Japanese yen	1,223	1,017	206	20.3	1,017
2,247	1,616	European and other currencies	2,868	1,216	1,652	135.9	1,153
1,067	953	Reserve position at IMF	971	1,162	(191)	(16.4)	1,225
1,401	831	NZ equity investments	1,845	2,141	(296)	(13.8)	2,301
3,333	2,878	Foreign equity investments	5,742	5,992	(250)	(4.2)	6,396
21,306	21,477	Total Marketable Securities	26,874	25,998	876	3.4	21,742
		Deposits & Equity Investments					
		Advances and Cash					
5,370	5,250	Student loans	6,066	5,966	100	1.7	6,073
930	449	Other advances	1,308	1,344	(36)	(2.7)	1,514
2,732	2,319	Cash	2,762	2,775	(13)	(0.5)	2,455
9,032	8,018	Total Advances and Cash	10,136	10,085	51	0.5	10,042
30,338	29,495	Total Financial Assets	37,010	36,083	927	2.6	31,784
7,947	9,033	Borrowings less Financial Assets	2,249	3,798	1,549	40.8	4,334
11,478	12,609	Net New Zealand-dollar debt	9,413	10,405	992	9.5	11,088
(3,531)	(3,576)	Net foreign-currency debt	(7,164)	(6,607)	557	8.4	(6,754)
7,947	9,033	Borrowings less Financial Assets	2,249	3,798	1,549	40.8	4,334

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

STATEMENT OF COMMITMENTS

as at 31 March 2004

	As at 31 March 2004 \$m	As at 30 June 2003 \$m	As at 31 March 2003 \$m
Capital Commitments			
Specialist military equipment	105	292	381
Land and buildings	1,241	987	1,287
Other property, plant and equipment	482	862	795
Other capital commitments	134	145	35
TEIs	32	32	-
Total Capital Commitments	1,994	2,318	2,498
Operating Commitments			
Non-cancellable accommodation leases	1,312	1,268	1,368
Other non-cancellable leases	2,499	3,174	2,821
Non-cancellable contracts for the supply of goods and services	3,748	1,907	1,762
Other operating commitments	1,506	2,645	1,747
TEIs	316	316	-
Total Operating Commitments	9,381	9,310	7,698
Total Commitments	11,375	11,628	10,196
Total Commitments by Institutional Segment			
Core Crown	5,157	4,731	5,538
Crown entities	3,997	4,783	2,332
State-owned enterprises	2,221	2,114	2,326
Total Commitments	11,375	11,628	10,196

STATEMENT OF CONTINGENT LIABILITIES

as at 31 March 2004

	As at 31 March 2004 \$m	As at 30 June 2003 \$m	As at 31 March 2003 \$m
Quantifiable Contingent Liabilities			
Guarantees and Indemnities	249	418	260
Uncalled Capital	2,324	2,641	2,713
Legal Proceedings and Disputes	653	242	290
Other Contingent Liabilities	1,076	1,316	1,526
Total Quantifiable Contingent Liabilities	4,302	4,617	4,789
Total Quantifiable Contingent Liabilities by Institutional Segment			
Core Crown	4,038	4,418	4,588
Crown entities	10	45	10
State-owned enterprises	254	154	191
Total Quantifiable Contingent Liabilities	4,302	4,617	4,789
Quantifiable Contingent Assets			
Core Crown - Education and Transport	129	129	-
Total Quantifiable Contingent Assets	129	129	-

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

STATEMENT OF SEGMENTS

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form) for the nine months ended 31 March 2004 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast			
	Core Crown		Crown entities	
	Actual March 2003/04 \$m	Forecast March 2003/04 \$m	Actual March 2003/04 \$m	Forecast March 2003/04 \$m
Revenue				
Taxation revenue	32,920	32,564	-	-
Other sovereign levied income	449	419	1,851	1,850
Sales of goods and services	566	583	1,299	944
Investment income	1,466	1,264	827	526
Other revenues	495	420	11,428	11,401
Total revenue	35,896	35,250	15,405	14,721
Expenses by input type				
Subsidies and transfer payments	10,463	10,575	1,052	1,037
Personnel expenses	3,156	3,151	4,733	4,780
Operating expenses	15,123	15,537	8,132	7,793
Finance costs	1,706	1,718	158	170
FX losses/(gains)	69	(25)	83	-
GSF and ACC liability revaluation movts	(330)	(330)	62	62
Total expenses	30,187	30,626	14,220	13,842
Expenses by functional classification				
Social security and welfare	10,589	10,711	1,598	1,569
Health	5,935	5,968	4,941	4,907
Education	5,430	5,572	4,373	4,409
Other functional classifications	6,458	6,683	3,067	2,787
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	1,775	1,692	241	170
Total expenses	30,187	30,626	14,220	13,842
Net surplus of TEIs	-	-	59	59
Minority interest	-	-	-	-
Operating balance	5,709	4,624	1,244	938

Statement of Financial Position (institutional form) as at 31 March 2004 (actual to forecast)

(\$ million)	Core Crown		Crown entities	
	Actual March 2003/04 \$m	Forecast March 2003/04 \$m	Actual March 2003/04 \$m	Forecast March 2003/04 \$m
	Assets			
Financial assets	28,034	27,653	12,461	11,885
Physical assets	17,513	17,432	25,602	25,633
Investment in SOEs & CE (including TEIs)	23,136	23,410	4,407	4,407
Other assets	9,087	9,069	2,089	2,329
Total assets	77,770	77,564	44,559	44,254
Liabilities				
Borrowings	36,555	37,330	3,481	3,090
Other liabilities	22,497	22,631	12,879	13,188
Total liabilities	59,052	59,961	16,360	16,278
Net worth	18,718	17,603	28,199	27,976
Taxpayer funds	14,023	12,915	18,524	18,277
Revaluation reserves	4,695	4,688	9,675	9,699
Net worth	18,718	17,603	28,199	27,976
Analysis of financial assets and borrowings				
Advances and cash	7,878	7,848	1,539	1,421
MSDs and equity investments	20,156	19,805	10,922	10,464
Total financial assets	28,034	27,653	12,461	11,885
Borrowings - Sovereign guaranteed	36,555	37,330	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,481	3,090
Total borrowings	36,555	37,330	3,481	3,090
Borrowings less financial assets	8,521	9,677	(8,980)	(8,795)
Net Crown debt	15,285	16,285		
Gross sovereign-issued debt	37,969	38,409		

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form) for the nine months ended 31 March 2004 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	March	March	March	March	March	March
	2003/04	2003/04	2003/04	2003/04	2003/04	2003/04
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Taxation revenue	-	-	(370)	(292)	32,550	32,272
Other sovereign levied income	-	-	(40)	(37)	2,260	2,232
Sales of goods and services	6,125	6,440	(318)	(291)	7,672	7,676
Investment income	92	77	(323)	(353)	2,062	1,514
Other revenues	394	410	(10,904)	(10,949)	1,413	1,282
Total revenue	6,611	6,927	(11,955)	(11,922)	45,957	44,976
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	11,515	11,612
Personnel expenses	1,157	1,221	(1)	(3)	9,045	9,149
Operating expenses	4,706	5,008	(11,644)	(11,568)	16,317	16,770
Finance costs	227	222	(153)	(179)	1,938	1,931
FX losses/(gains)	(82)	(21)	-	-	70	(46)
GSF and ACC liability revaluation movts	-	-	-	-	(268)	(268)
Total expenses	6,008	6,430	(11,798)	(11,750)	38,617	39,148
Expenses by functional classification						
Social security and welfare	-	-	(295)	(319)	11,892	11,961
Health	-	-	(5,109)	(5,140)	5,767	5,735
Education	-	-	(4,004)	(3,969)	5,799	6,012
Other functional classifications	5,863	6,229	(2,237)	(2,144)	13,151	13,555
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	145	201	(153)	(178)	2,008	1,885
Total expenses	6,008	6,430	(11,798)	(11,750)	38,617	39,148
Net surplus of TEIs	-	-	-	-	59	59
Minority interest	-	-	-	-	-	-
Operating balance	603	497	(157)	(172)	7,399	5,887

Statement of Financial Position (institutional form) as at 31 March 2004 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	March	March	March	March	March	March
	2003/04	2003/04	2003/04	2003/04	2003/04	2003/04
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Financial assets	2,566	2,538	(6,051)	(5,993)	37,010	36,083
Physical assets	9,947	10,298	-	-	53,062	53,363
Investment in SOEs & CE (including TEIs)	-	-	(23,136)	(23,410)	4,407	4,407
Other assets	2,304	2,691	(628)	(822)	12,852	13,267
Total assets	14,817	15,527	(29,815)	(30,225)	107,331	107,120
Liabilities						
Borrowings	5,274	5,454	(6,051)	(5,993)	39,259	39,881
Other liabilities	2,797	3,196	(1,220)	(1,397)	36,953	37,618
Total liabilities	8,071	8,650	(7,271)	(7,390)	76,212	77,499
Net worth	6,746	6,877	(22,544)	(22,835)	31,119	29,621
Taxpayer funds	5,474	5,601	(22,544)	(22,835)	15,477	13,958
Revaluation reserves	1,272	1,276	-	-	15,642	15,663
Net worth	6,746	6,877	(22,544)	(22,835)	31,119	29,621
Analysis of financial assets and borrowings						
Advances and cash	2,114	2,163	(1,395)	(1,347)	10,136	10,085
MSDs and equity investments	452	375	(4,656)	(4,646)	26,874	25,998
Total financial assets	2,566	2,538	(6,051)	(5,993)	37,010	36,083
Borrowings - Sovereign guaranteed	-	-	(4,663)	(4,579)	31,892	32,751
Borrowings - Non-sovereign guaranteed	5,274	5,454	(1,388)	(1,414)	7,367	7,130
Total borrowings	5,274	5,454	(6,051)	(5,993)	39,259	39,881
Borrowings less financial assets	2,708	2,916	-	-	2,249	3,798

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

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

(\$ million)	Prior Year Actual vs Current Year Forecast			
	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
Revenue				
Taxation revenue	40,168	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)

(\$ million)	Core Crown		Crown entities	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
	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		
Gross sovereign-issued debt	36,086	34,469		

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

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

(\$ million)	Prior Year Actual vs Current Year Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m	Actual 2003 \$m	Forecast 2004 \$m
Revenue						
Taxation revenue	-	-	(383)	(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 March 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	11,844	Source deductions	12,614	12,540	74	0.6	16,897
4,195	3,704	Other persons	3,600	3,642	(42)	(1.2)	4,172
(834)	(547)	Refunds	(562)	(548)	(14)	(2.6)	(844)
375	287	Fringe benefit tax	302	302	-	-	403
19,669	15,288	Total Individuals	15,954	15,936	18	0.1	20,628
Corporate Tax							
5,245	4,095	Gross companies tax	4,886	4,829	57	1.2	5,964
(191)	(71)	Refunds	(93)	(88)	(5)	(6)	(142)
732	550	Non-resident withholding tax	593	589	4	0.7	821
154	85	Foreign-source dividend w/holding payments	86	78	8	10.3	135
5,940	4,659	Total Corporate Tax	5,472	5,408	64	1.2	6,778
Other Income Tax							
1,111	792	Resident w/holding tax on interest income	863	871	(8)	(0.9)	1,163
57	45	Resident w/holding tax on dividend income	39	41	(2)	(4.9)	55
1	1	Estate and gift duties	2	1	1	100.0	2
1,169	838	Total Other Income Tax	904	913	(9)	(1.0)	1,220
26,778	20,785	Total Income Tax	22,330	22,257	73	0.3	28,626
Goods and Services Tax							
14,959	11,116	Gross goods and services tax	12,223	11,529	694	6.0	15,752
(6,221)	(4,556)	Refunds	(5,186)	(4,717)	(469)	(9.9)	(6,415)
8,738	6,560	Total Goods and Services Tax	7,037	6,812	225	3.3	9,337
Other Taxation							
995	737	Petroleum fuels excise	710	701	9	1.3	952
850	673	Tobacco excise	629	639	(10)	(1.6)	855
750	568	Customs duty	538	552	(14)	(2.5)	738
621	465	Road user charges	501	487	14	2.9	646
465	358	Alcohol excise	364	376	(12)	(3.2)	482
248	184	Gaming duties	193	197	(4)	(2.0)	273
197	147	Motor vehicle fees	154	153	1	0.7	203
94	74	Energy resources levies	53	58	(5)	(8.6)	84
49	39	Approved issuer levy and cheque duty	41	40	1	2.5	55
4,269	3,245	Total Other Indirect Taxation	3,183	3,203	(20)	(0.6)	4,288
13,007	9,805	Total Indirect Taxation	10,220	10,015	205	2.0	13,625
39,785	30,590	Total Tax Revenue Collected	32,550	32,272	278	0.9	42,251
Other Sovereign Revenues (accrual)							
1,854	1,310	ACC levies	1,504	1,514	(10)	(0.7)	2,033
228	158	Fire Service levies	182	175	7	4.0	224
77	57	EQC levies	59	59	-	-	78
604	467	Other miscellaneous items	515	484	31	6.4	678
2,763	1,992	Total Other Sovereign Revenues	2,260	2,232	28	1.3	3,013
42,548	32,582	Total Sovereign Revenue	34,810	34,504	306	0.9	45,264

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 1: Receipts Collected Through the Crown's Sovereign Power							
Income Tax Receipts (cash)							
Individuals							
15,623	11,677	Source deductions	12,561	12,581	(20)	(0.2)	16,897
4,499	3,338	Other persons	3,361	3,392	(31)	(0.9)	4,631
(1,287)	(907)	Refunds	(1,017)	(939)	(78)	(8.3)	(1,302)
374	276	Fringe benefit tax	305	296	9	3.0	400
19,209	14,384	Total Individuals	15,210	15,330	(120)	(0.8)	20,626
Corporate Tax							
6,021	4,674	Gross companies tax	5,643	5,422	221	4.1	6,668
(821)	(493)	Refunds	(688)	(637)	(51)	(8)	(869)
740	560	Non-resident withholding tax	639	625	14	2.2	824
160	91	Foreign-source dividend w/holding payments	89	79	10	12.7	129
6,100	4,832	Total Corporate Tax	5,683	5,489	194	3.5	6,752
Other Income Tax							
1,104	772	Resident w/holding tax on interest income	869	845	24	2.8	1,163
56	45	Resident w/holding tax on dividend income	41	41	-	-	55
2	1	Estate and gift duties	1	1	-	-	2
1,162	818	Total Other Income Tax	911	887	24	2.7	1,220
26,471	20,034	Total Income Tax	21,804	21,706	98	0.5	28,598
Goods and Services Tax							
14,489	10,689	Gross goods and services tax	11,481	11,146	335	3.0	15,503
(5,718)	(4,313)	Refunds	(4,719)	(4,591)	(128)	(2.8)	(6,165)
8,771	6,376	Total Goods and Services Tax	6,762	6,555	207	3.2	9,338
Other Taxation							
971	722	Petroleum fuels excise	733	710	23	3.2	952
867	653	Tobacco excise	604	617	(13)	(2.1)	850
712	543	Customs duty	573	554	19	3.4	738
620	465	Road user charges	501	486	15	3.1	644
461	344	Alcohol excise	351	357	(6)	(1.7)	479
277	205	Gaming duties	193	205	(12)	(5.9)	272
201	149	Motor vehicle fees	172	163	9	5.5	203
97	76	Energy resources levies	52	61	(9)	(14.8)	85
51	37	Approved issuer levy and cheque duty	38	40	(2)	(5.0)	56
4,257	3,194	Total Other Indirect Taxation	3,217	3,193	24	0.8	4,279
13,028	9,570	Total Indirect Taxation	9,979	9,748	231	2.4	13,617
39,499	29,604	Total Tax Receipts Collected	31,783	31,454	329	1.0	42,215
Other Sovereign Receipts (cash)							
1,638	1,284	ACC levies	1,620	1,574	46	2.9	1,999
227	174	Fire Service levies	181	175	6	3.4	226
77	58	EQC levies	60	60	-	-	79
589	383	Other miscellaneous items	402	400	2	0.5	563
2,531	1,899	Total Other Sovereign Receipts	2,263	2,209	54	2.4	2,867
42,030	31,503	Total Sovereign Receipts	34,046	33,663	383	1.1	45,082

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 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	618	Interest income	992	869	123	14.2	1,224
393	287	Student loans	277	283	(6)	(2.1)	402
50	31	Dividends	49	43	6	14.0	57
		Gains/(losses) on marketable securities					
304	(320)	deposits and equity investments	726	315	411	130.5	269
26	-	Other	18	4	14	350.0	139
1,859	616	Total Investment Income	2,062	1,514	548	36.2	2,091

NOTE 4: Other Revenue

		Unrealised gains arising from changes					
(20)	-	in the value of commercial forests	-	-	-	-	-
130	88	GSF contributions	81	79	2	2.5	110
44	34	Petroleum royalties	29	31	(2)	(6.5)	38
31	23	Cost recovery income from fisheries	-	-	-	-	-
2,050	1,102	Other	1,303	1,172	131	11.2	1,639
2,235	1,247	Total Other Operational Revenue	1,413	1,282	131	10.2	1,787

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 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	4,194	New Zealand superannuation	4,397	4,400	3	0.1	5,890
1,309	1,118	ACC payments	1,052	1,037	(15)	(1.4)	1,386
1,520	1,131	Domestic purposes benefit	1,169	1,170	1	0.1	1,146
1,274	980	Unemployment benefit	859	884	25	2.8	1,561
862	594	Family support	609	617	8	1.3	836
387	264	Student allowances	259	261	2	0.8	391
3,742	2,774	Other social assistance grants	2,891	2,906	15	0.5	3,883
113	89	Subsidies	81	99	18	18.2	145
		Other Transfer Payments					
230	151	Official development assistance	174	209	35	16.7	245
28	24	Other	24	29	5	17.2	33
15,107	11,319	Total Subsidies and Transfer Payments	11,515	11,612	97	0.8	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	733	GSF pension costs	718	752	34	4.5	986
78	52	Other pension expenses	64	55	(9)	(16.4)	77
10,564	8,185	Other personnel expenses	8,263	8,342	79	0.9	11,182
11,620	8,970	Total Personnel Expenses	9,045	9,149	104	1.1	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	514	Buildings	539	557	18	3.2	737
86	65	Electricity distribution networks	87	86	(1)	(1.2)	116
143	105	Electricity generation assets	111	117	6	5.1	161
168	126	Specialist military equipment (SME)	133	135	2	1.5	182
199	156	State highways	158	158	-	-	211
105	121	Aircraft (excluding SME)	155	154	(1)	(0.6)	137
676	484	Other plant and equipment	480	543	63	11.6	816
99	181	Other assets	71	55	(16)	(29.1)	86
2,177	1,752	Total depreciation costs	1,734	1,805	71	3.9	2,446
		Other operating expenses:					
712	565	Rental and leasing costs	523	525	2	0.4	703
67	226	Change in provision for doubtful debts	181	318	137	43.1	217
188	71	Write off of bad debts	54	51	(3)	(5.9)	67
84	35	Goodwill amortised	35	35	-	-	47
306	223	Grants paid	209	189	(20)	(10.6)	252
301	224	Lottery prize payments	265	248	(17)	(6.9)	303
19	27	Loss/(gain) on sale of assets	-	-	-	-	-
18,711	12,030	Other operating expenses	13,316	13,599	283	2.1	19,441
22,565	15,153	Total Operating Expenses	16,317	16,770	453	2.7	23,476

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments							
By category:							
2,732	2,319	Total cash	2,762	2,775	(13)	(0.5)	2,455
15,505	16,815	Marketable securities and deposits	20,318	16,703	3,615	21.6	11,819
4,734	3,709	Equity investments (eg, shares)	5,585	8,133	(2,548)	(31.3)	8,698
1,067	953	Reserve position at the IMF	971	1,162	(191)	(16.4)	1,225
21,306	21,477	Total MSDs and Equity Investments	26,874	25,998	876	3.4	21,742
24,038	23,796	Cash and MSDs & Equity Investments	29,636	28,773	863	3.0	24,197
By portfolio management:							
11,348	12,510	Reserve Bank and DMO managed funds	14,708	14,193	515	3.6	8,976
1,884	1,585	NZS Fund	2,350	2,615	(265)	(10.1)	3,496
2,636	3,023	Government Superannuation Fund	3,000	2,914	86	3.0	2,933
1,224	1,083	EQC portfolio	1,514	1,510	4	0.3	3,996
3,403	2,442	ACC portfolio	4,095	3,905	190	4.9	1,539
811	834	Other holdings	1,207	861	346	40.2	802
21,306	21,477	Total MSDs & Equity Investments	26,874	25,998	876	3.4	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 \$3.3 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 \$3.3 billion. 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 \$9.2 billion. 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	1,585	NZS Fund	3,346	3,403	(57)	(1.7)	3,885
3,182	3,023	GSF net assets (including portfolio)	3,342	3,259	83	2.5	3,284
4,922	4,010	ACC portfolio	5,924	5,648	276	4.9	5,779
4,062	3,900	EQC portfolio	4,259	4,265	(6)	(0.1)	4,356

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m %		\$m
NOTE 9: Advances							
5,370	5,250	Student loans (see analysis below)	6,066	5,966	100	1.7	6,073
501	-	Kiwibank mortgages	903	932	(29)	(3.1)	1,069
68	66	Residential care loans	72	75	(3)	(4.0)	75
43	45	Maori development rural lending	48	47	1	2.1	49
28	28	Forestry encouragement loans	27	28	(1)	(3.6)	28
6	6	Catchment authorities	5	5	-	-	4
284	304	Other	253	257	(4)	(1.6)	289
6,300	5,699	Total Advances	7,374	7,310	64	0.9	7,587
Analysis of Student Loans							
Outstanding balance							
6,094	6,051	Total loans outstanding (including interest)	6,856	6,859	(3)	-	6,870
(724)	(801)	Total provisions (capital and interest)	(790)	(893)	103	11.5	(797)
5,370	5,250	Total Student Loans	6,066	5,966	100	1.7	6,073
Movement during the year							
4,749	4,749	Opening balance	5,370	5,370	-	-	5,368
952	757	Amount advanced in current year	864	842	22	2.6	1,028
393	287	Interest accrued on outstanding loan balances	278	283	(5)	(1.8)	402
(252)	(179)	Repayment of base capital	(207)	(188)	(19)	(10.1)	(282)
(186)	(130)	Repayment of accrued interest	(147)	(154)	7	4.5	(210)
(291)	(241)	Interest written off and movement in provision for interest write-offs and doubtful debts	(98)	(194)	96	49.5	(241)
5	7	Other movements	6	7	(1)	(14.3)	8
5,370	5,250	Closing Balance	6,066	5,966	100	1.7	6,073
NOTE 10: Receivables							
5,375	5,674	Taxes receivable	6,108	6,167	(59)	(1.0)	5,398
4,262	3,598	Accounts receivable	3,727	3,915	(188)	(4.8)	3,820
200	242	Receivable from the sale and purchase of Maui gas	185	184	1	0.5	153
306	384	Prepayments	380	392	(12)	(3.1)	278
10,143	9,898	Total Receivables	10,400	10,658	(258)	(2.4)	9,649
NOTE 11: Other Investments							
89	99	International Bank for Reconstruction and Developments	79	89	(10)	(11.2)	89
92	96	Asian Development Bank	81	92	(11)	(12.0)	92
83	81	Other	87	78	9	11.5	80
264	276	Total Other Investments	247	259	(12)	(4.6)	261

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual	Forecast	Variance		
			\$m	\$m	\$m	%	
NOTE 12: Property, Plant and Equipment							
By Type							
Gross Carrying Value							
6,748	6,122	Land (valuation)	6,727	6,616	111	1.7	6,532
454	460	Properties intended for sale (valuation)	456	459	(3)	(0.7)	459
19,092	17,468	Buildings (valuation)	19,504	20,286	(782)	(3.9)	20,270
2,178	2,188	Electricity distribution network (valuation)	2,175	2,264	(89)	(3.9)	2,293
1,253	1,240	Electricity generation assets (cost)	1,273	1,302	(29)	(2.2)	1,383
1,234	1,796	Aircraft (ex SME) (valuation)	1,374	1,370	4	0.3	1,400
12,556	12,200	State highways (valuation)	12,865	12,841	24	0.2	12,980
3,098	2,878	Specialist military equipment (valuation)	2,790	2,859	(69)	(2.4)	2,929
8,584	8,302	Other plant and equipment (cost)	9,206	9,198	8	0.1	9,556
5,331	5,506	Other assets (valuation)	5,221	5,180	41	0.8	5,320
60,528	58,160	Total Gross Carrying Value	61,591	62,375	(784)	(1.3)	63,122
Accumulated Depreciation							
1,503	1,674	Buildings	1,771	2,119	348	16.4	2,297
198	186	Electricity distribution network	222	285	63	22.1	310
174	156	Electricity generation assets	215	217	2	0.9	232
-	120	Aircraft (ex SME)	155	154	(1)	(0.6)	137
-	156	State highways	158	158	-	-	210
756	714	Specialist military equipment	439	441	2	0.5	487
4,776	4,483	Other plant and equipment	5,144	5,186	42	0.8	5,462
454	819	Other assets	425	452	27	6.0	460
7,861	8,308	Total Accumulated Depreciation	8,529	9,012	483	5.4	9,595
Net Carrying Value							
6,748	6,122	Land (valuation)	6,727	6,616	111	1.7	6,532
454	460	Properties intended for sale (valuation)	456	459	(3)	(0.7)	459
17,589	15,794	Buildings (valuation)	17,733	18,167	(434)	(2.4)	17,973
1,980	2,002	Electricity distribution network (valuation)	1,953	1,979	(26)	(1.3)	1,983
1,079	1,084	Electricity generation assets (cost)	1,058	1,085	(27)	(2.5)	1,151
1,234	1,676	Aircraft (ex SME) (valuation)	1,219	1,216	3	0.2	1,263
12,556	12,044	State highways (valuation)	12,707	12,683	24	0.2	12,770
2,342	2,164	Specialist military equipment (valuation)	2,351	2,418	(67)	(2.8)	2,442
3,808	3,819	Other plant and equipment (cost)	4,062	4,012	50	1.2	4,094
4,877	4,687	Other assets (valuation)	4,796	4,728	68	1.4	4,860
52,667	49,852	Total Net Carrying Value	53,062	53,363	(301)	(0.6)	53,527
By holding							
52,167	49,480	Freehold assets	52,625	52,912	(287)	(0.5)	53,121
500	372	Leasehold assets	437	451	(14)	(3.1)	406
52,667	49,852	Total Net Carrying Value	53,062	53,363	(301)	(0.6)	53,527
NOTE 13: Payables and Provisions							
7,054	6,056	Accounts payable and accruals	6,444	7,269	825	11.3	5,763
2,154	1,850	Taxes repayable	2,106	2,157	51	2.4	2,139
588	474	Provisions	532	501	(31)	(6.2)	488
882	685	National Provident Fund guarantee	882	882	-	-	882
1,200	1,205	Provision for employee entitlements	1,177	1,137	(40)	(3.5)	1,164
11,878	10,270	Total Payables and Provisions	11,141	11,946	805	6.7	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 March 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	1,234	Net projected change	(330)	(330)	-	-	(364)
13,857	13,444	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
		Net projected change:					
82	(145)	- Investment valuation changes	284	191	93	48.7	102
(187)	(119)	- Contributions and other income less membership payments	(124)	(114)	(10)	(8.8)	-
(105)	(264)	Total projected change	160	77	83	107.8	102
3,182	3,023	Closing net asset values	3,342	3,259	83	2.5	3,284
Net unfunded liability of the GSF schemes							
8,923	8,923	Opening unfunded liability	10,675	10,675	-	-	10,675
1,752	1,498	Net projected change	(490)	(407)	83	20.4	(466)
10,675	10,421	Net unfunded liability	10,185	10,268	83	0.8	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 March 2003 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
ACC liability and asset information							
Gross ACC liability							
7,501	7,501	Opening gross liability	9,155	9,155	-	-	9,155
1,654	230	Net projected change	62	62	-	-	82
9,155	7,731	Closing gross liability	9,217	9,217	-	-	9,237
Less net assets available to ACC							
3,865	3,865	Opening net asset value	4,901	4,901	-	-	4,901
1,036	373	Net projected change	859	622	237	38.1	829
4,901	4,238	Closing net asset values	5,760	5,523	237	4.3	5,730
Net ACC reserves (net liability)							
(3,636)	(3,636)	Opening reserves position	(4,254)	(4,254)	-	-	(4,254)
(618)	143	Net projected change	797	560	(237)	(42.3)	747
(4,254)	(3,493)	Closing reserves position (net liability)	(3,457)	(3,694)	(237)	(6.4)	(3,507)

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 2003 \$m		Current Year Actual vs Forecast				Annual
			Actual Forecast		Variance		Forecast
			\$m	\$m	\$m	%	\$m
NOTE 16: Revaluation Reserves							
<i>Movement in Asset Revaluation Reserves</i>							
12,672	12,672	Opening Balance	15,624	15,624	-	-	15,624
		Net Revaluations					
2,078	90	Land and buildings	17	18	(1)	(5.6)	18
444	-	State highways	-	-	-	-	-
275	-	TEIs	-	-	-	-	-
198	-	Other assets	16	29	(13)	(44.8)	29
2,995	90	Total Net Revaluations	33	47	(14)	(29.8)	47
(43)	(11)	Transfers to taxpayer funds	(15)	(8)	(7)	(88)	(8)
15,624	12,751	Closing Asset Revaluation Reserve	15,642	15,663	(21)	(0.1)	15,663

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2003 \$m	Actual 31 March 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	29,882	Total tax receipts	32,070	31,674	396	1.3	42,579
399	305	Total other sovereign receipts	308	306	2	0.7	438
1,310	1,005	Interest, profits and dividends	1,093	759	334	44.0	1,161
1,185	999	Sale of goods & services and other receipts	1,091	1,006	85	8.4	1,307
(14,071)	(10,481)	Subsidies and transfer payments	(10,619)	(10,622)	3	-	(14,351)
(21,703)	(16,397)	Personnel and operating costs	(17,967)	(17,826)	(141)	(0.8)	(24,231)
(2,106)	(1,406)	Finance costs	(1,409)	(1,392)	(17)	(1.2)	(2,083)
-	-	Forecasts for future new spending	-	-	-	-	(35)
4,856	3,907	Net Cash Flows From Operations	4,567	3,905	662	17.0	4,785
Investing flows							
<i>Net advances</i>							
(698)	(577)	Student loans	(595)	(620)	25	4.0	-
(107)	(51)	Housing New Zealand Corporation	(200)	(63)	(137)	(217.5)	-
(114)	(63)	District health boards and RHMU	(202)	(274)	72	26.3	-
(44)	-	Tranz Rail New Zealand Limited	44	44	-	-	-
48	48	Contact Energy Limited	-	-	-	-	-
19	15	Other	32	28	4	14.3	(1,729)
(896)	(628)	Total Net Advances	(921)	(885)	(36)	(4.1)	(1,729)
(1,059)	(871)	Net purchase of physical assets	(1,016)	(1,033)	17	1.6	(1,359)
<i>Net investments</i>							
(275)	(205)	District health boards	(54)	(205)	151	73.7	-
(69)	(13)	Housing New Zealand Corporation	119	(139)	258	185.6	-
(140)	(83)	Other	(58)	(93)	35	37.6	(781)
(1,200)	(923)	Net purchase of MSDs/equities by NZS Fund	(1,424)	(1,424)	-	-	(1,879)
-	-	Forecast new capital spending	-	-	-	-	(144)
(1,684)	(1,224)	Net (purchase)/sale of Investments	(1,417)	(1,861)	444	23.9	(2,804)
1,217	1,184	(Required to be financed)/Available for debt repayment	1,213	126	1,087	-	(1,107)
<i>Used in:</i>							
(1,944)	(2,572)	Other net (purchase)/sale of marketable securities and deposits	(2,989)	(1,918)	(1,071)	(55.8)	2,391
(727)	(1,388)	Total Investing activities	(1,776)	(1,792)	16	0.9	1,284
(417)	(873)	Net (repayment)/issue of other New Zealand-dollar borrowing	(152)	171	(323)	(188.9)	61
1,658	225	Net (repayment)/issue of foreign currency borrowing	(398)	(534)	136	25.5	(868)
69	206	Net outflows/(inflow) of cash	167	179	(12)	(6.7)	278
147	231	Issues of circulating currency	173	33	140	424.2	33
1,457	(211)		(210)	(151)	(59)	(39.1)	(496)
730	(1,599)	Net Repayment of/(Cash Proceeds from) Domestic Bonds	(1,986)	(1,943)	(43)	(2.2)	788
Gross Cash Proceeds from Domestic Bonds							
2,551	1,825	Domestic bonds (market)	1,918	1,961	(43)	(2.2)	2,235
279	-	Domestic bonds (non-market)	68	-	68	-	396
2,830	1,825	Total Gross Cash Proceeds from Domestic Bonds	1,986	1,961	25	1.3	2,631
(2,823)	-	Repayment of domestic bonds (market)	-	-	-	-	(3,044)
(737)	(226)	Repayment of domestic bonds (non-market)	-	(18)	18	100.0	(375)
(730)	1,599	Net (Repayments of)/Cash Proceeds from Domestic Bonds	1,986	1,943	43	2.2	(788)