

# Financial Statements of the Government of New Zealand

For the Nine Months  
Ended 31 March 2005



6 May 2005

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## Financial Statements

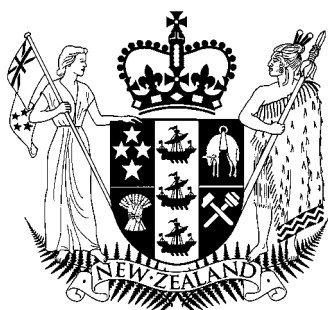
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## COMMENTARY

## CROWN FINANCIAL STATEMENTS – MARCH 2005

The Government of New Zealand has a series of long term fiscal objectives, including objectives on the operating balance, revenue, expenses, debt and net worth, to maintain fiscal responsibility.

To enable progress towards these long term objectives, the Government has outlined where its focus will be. Taken together this enables interested parties to assess the picture of the fiscal performance of the Government.

In summary, given the long term debt to GDP objective and a policy of prefunding future expenses (i.e. the purpose of the NZS Fund) it requires a level of operating balance sufficient to generate cashflow to cover capital investment.

Within the full set of financial statements, each individual statement provides a different set of information to assess the overall performance (e.g. expenses in the operating statement gives an indication of size of Government and the cashflow from operating and investing provides the amount left over or required to be financed after all spending, operating and capital, is taken into account).

These financial statements provide a snap-shot of progress towards the long term fiscal objectives and the performance against the latest set of fiscal forecasts released in the December Economic and Fiscal Update on 14 December 2004.

A summary of the long term objectives are outlined below.

| Long-term fiscal objectives   | To achieve the objectives of fiscal policy, the Government's high-level focus is on:  |
|---|---|
| <b>Operating balance:</b><br>Operating surplus on average over the economic cycle sufficient to meet the requirements for contributions to the NZS Fund and ensure consistency with the long-term debt objective. | <ul style="list-style-type: none"> <li>Operating surpluses (measured by the OBERAC) during the build-up phase of the NZS Fund. The focus is on core Crown revenues and expenses, with tax-to-GDP and core Crown expenses-to-GDP around current levels.</li> <li>Because the OBERAC surplus includes the net (after-tax) return on the NZS Fund, which the NZS Fund will retain, the Government is effectively targeting OBERAC surpluses excluding the NZS Fund's retained investment returns.</li> <li>A robust, broad-based tax system that raises revenue in a fair and efficient way.</li> <li>State Owned Enterprises (SOEs) and Crown entities contributing to surpluses, consistent with their legislation and Government policy.</li> </ul> |
| <b>Revenue:</b><br>Ensure sufficient revenue to meet the operating balance objective.   |   |
| <b>Expenses:</b><br>Ensure expenses are consistent with the operating balance objective.  |   |
| <b>Debt:</b><br>Manage total debt at prudent levels. Gross sovereign-issued debt as a percentage of GDP slowly reducing over the longer term and passing through 20% of GDP before 2015.                          | <ul style="list-style-type: none"> <li>SOEs will have debt structures that reflect best commercial practice. Changes in the level of debt will reflect specific circumstances.</li> <li>Gross sovereign-issued debt-to-GDP will be reducing during the period ahead of the major demographic changes associated with population ageing.</li> <li>Net debt, with NZS Fund assets, is expected to fall towards minus 15% of GDP by 2015 (ie, a net financial asset position).</li> </ul>  |
| <b>Net worth:</b><br>Increase net worth consistent with the operating balance objective.  | <ul style="list-style-type: none"> <li>Increasing net worth consistent with the operating balance objective will see net worth at above 50% of GDP by 2015.</li> <li>The NZS Fund is expected to be 21% of GDP by 2015.</li> <li>Consistent with the net worth objective, there will also be a focus on quality investment.</li> </ul>  |

## SUMMARY

The Crown financial statements for the nine months ended 31 March 2005 show that while net debt, the operating balance and OBERAC are ahead of forecast, the overall impact on the cashflow from operating and investing activities is to a lesser extent. This is primarily due to the nature of the drivers of the higher than forecast outturns in these indicators (circulating currency, investment valuation gains and expenditure delays), which do not have long term flow on effects to the cashflow position and hence gross debt.

At this stage, the current results suggest that:

- Gross debt is likely to be higher if the borrowings held by the Reserve Bank continue at the same level (this is net debt neutral as there is a corresponding increase in financial assets).
- Cashflow from operating and investing activities is likely to be higher if some of year to date expenditure delays and tax revenue continue.
- Net debt is likely to be lower mainly due to additional issues of circulating currency and the expected improvement in net cashflow from operating and investing activities.
- Operating balance is likely to be higher if investment valuation gains (although investment gains on equities are very volatile), spending delays and SOE surpluses continue.
- OBERAC is likely to be higher if spending delays and SOE surpluses continue.

**Table 1** – Summary Fiscal Indicators

| \$ million   | March<br>2005<br>Actual YTD | March<br>2005<br>Forecast YTD | Variance<br>\$m | June 2005<br>Forecast | June 2004<br>Actual |
|--|-----------------------------|-------------------------------|-----------------|-----------------------|---------------------|
| Net cash flow from core operating and investing activity | 3,295                       | 2,885                         | 410             | 1,436                 | 520                 |
| Gross sovereign-issued debt                              | 34,123                      | 34,043                        | 80              | 33,846                | 35,527              |
| % of GDP   | 23.3                        | 23.3                          | 0.1             | 22.5                  | 24.8                |
| Net core Crown debt                                      | 11,315                      | 12,149                        | (834)           | 13,065                | 15,204              |
| % of GDP   | 7.7                         | 8.3                           | (0.6)           | 8.7                   | 10.6                |
| Total Crown debt   | 35,355                      | 35,897                        | (542)           | 36,093                | 36,825              |
| Operating balance  | 7,952                       | 6,210                         | 1,742           | 5,627                 | 7,424               |
| OBERAC   | 7,598                       | 6,210                         | 1,388           | 6,467                 | 6,629               |
| Net worth  | 44,017                      | 41,673                        | 2,344           | 41,109                | 35,463              |

## BREAKDOWN OF INDICATORS

### DEBT

**Core Crown Cash flow from operating and investing activities** (page 38) was \$3,295 million. This represents \$37.6 billion of receipts (including tax receipts of \$35.1 billion) being utilised on:

- Operating payments including finance costs of \$20.3 billion; and
- Subsidies and transfer payments (e.g. NZ Superannuation and Unemployment benefit) of \$10.6 billion, giving a **cashflow from operating activities** of \$6.7 billion.

This is then used to fund:

- Contributions to the NZS Fund for partially funding future NZS payments of \$1.5 billion
- Purchase of physical assets (e.g. prisons, schools) of \$1.0 billion; and
- Other investment activity (including hospitals, housing and student loans) of around \$0.9 billion.

**Gross sovereign issued debt** (page 21) was \$34.1 billion (23.3% of GDP) made up of:

- \$27.2 billion of domestic debt (including Government Stock and Treasury Bills); and
- \$6.9 billion of foreign denominated debt.

**Net core crown debt** (page 21) was \$11.3 billion made up of:

- Gross sovereign issued debt of \$34.1 billion; partially offset by financial assets including
- Marketable securities and deposits and cash of \$13.9 billion; and
- Advances (including student loans) of \$8.9 billion.

The cashflow is the primary driver of the movement in both debt indicators. On a month by month basis, the movement can be seen in net debt only, as the borrowing programme (which drives gross sovereign issued debt) is set on an annual basis, and reviewed six monthly (at the time of the Economic and Fiscal Updates).



## OPERATING

The operating balance (page 16) was \$8.0 billion, which represents

- \$39 billion of core crown revenue (including tax revenue of \$35.7 billion and \$2 billion of investment income)
- \$1.9 billion net surpluses (after payment of dividend to the Government) of state-owned enterprises and Crown entities (excluding ACC liability revaluation movements); offset by
- \$21.5 billion of core crown operating expenses including finance costs
- \$10.6 billion of subsidies and transfer payments; and
- \$1.1 billion of valuation expense movements of GSF and ACC.

The **OBERAC** was \$7.6 billion, which was around \$400 million lower than the operating balance due to the removal of investment valuation gains on the asset portfolios held by ACC, GSF and NZSF.

## NET WORTH

Net worth provides an indication of the difference between assets and liabilities. Net worth is currently \$44.0 billion.

Net worth is affected by two sources: operating balance and revaluations. Revaluations are not forecast as a matter of policy. Therefore the primary driver of variances in net worth during the financial year is the operating balance.

The major assets the Government invests in include:

- Financial assets (including student loans and marketable securities) of \$23 billion
- Government Superannuation Fund portfolio of \$3.3 billion
- New Zealand Superannuation Fund of \$5.1 billion
- Physical assets (including prisons and schools) of \$18.9 billion, including \$5.8 billion of revaluations
- Investment in State Owned Enterprises and Crown entities of \$23.5 billion, including asset portfolios in Accident Compensation Corporation and Earthquake Commission, physical assets including roading, hospitals, housing and liabilities including the ACC outstanding claims liability.<sup>1</sup>

The Government also has liabilities primarily gross sovereign issued debt (\$34.1 billion), the pension liability of the Government Superannuation Fund (\$14 billion) and other liabilities of \$10.4 billion.

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<sup>1</sup> A further breakdown of the nature of the assets and liabilities of State owned enterprises and Crown entities can be found in the statement of segments on pages 24 to 27.

## COMPARISON WITH FORECAST

This section provides commentary on significant variances within the current financial statements compared to monthly forecast tracks based on the December Update full year forecasts.

### DEBT

**Table 2** – Core Crown cashflow from operating and investing

| \$ million  | March        | March        | Variance     |               |
|---|--------------|--------------|--------------|---------------|
|   | Actual       | Forecast     | \$ million   | %             |
| Operating activities  | 6,731        | 6,580        | 151          | 2.3           |
| Investing activities (including NZS Fund purchases of MSDs & equities, and excluding other net purchases of MSDs) | (3,436)      | (3,695)      | 259          | (7.0)         |
| <b>Net cash flow from core operating and investing activity</b>   | <b>3,295</b> | <b>2,885</b> | <b>410</b>   | <b>14.2</b>   |
| Net sale/(purchase) of other marketable securities and deposits   | (2,702)      | (1,859)      | (843)        | 45.3          |
| Financing activity  | (551)        | (728)        | 177          | (24.3)        |
| <b>Net movement in cash</b>   | <b>42</b>    | <b>298</b>   | <b>(256)</b> | <b>(85.9)</b> |

**Cash flow from operating and investing activities** was \$410 million higher than forecast, with operating activities being higher than forecast by \$151 million (largely reflecting higher than forecast tax receipt) and investing activities being lower than forecast by \$259 million (largely reflecting delays in capital spending).

**Table 3** – Total Crown debt and core Crown debt information

| \$ million                         | March<br>2005<br>Actual YTD | March<br>2005<br>Forecast YTD | Variance<br>\$m | June 2005<br>Forecast | June 2004<br>Actual |
|------------------------------------|-----------------------------|-------------------------------|-----------------|-----------------------|---------------------|
| <b>Total Crown debt</b>            |                             |                               |                 |                       |                     |
| <b>Gross Crown debt</b>            | <b>35,355</b>               | <b>35,897</b>                 | <b>(542)</b>    | <b>36,093</b>         | <b>36,825</b>       |
| % of GDP                           | 24.2                        | 24.5                          | (0.4)           | 24.0                  | 25.7                |
| <b>Gross sovereign-issued debt</b> | <b>34,123</b>               | <b>34,043</b>                 | <b>80</b>       | <b>33,846</b>         | <b>35,527</b>       |
| % of GDP                           | 23.3                        | 23.3                          | 0.0             | 22.5                  | 24.8                |
| <b>Core Crown debt information</b> |                             |                               |                 |                       |                     |
| Gross core Crown debt              | 34,123                      | 34,043                        | 80              | 33,846                | 35,527              |
| Financial assets                   | (31,328)                    | (30,147)                      | (1,181)         | (29,529)              | (26,752)            |
| <b>Debt less assets</b>            | <b>2,795</b>                | <b>3,896</b>                  | <b>(1,101)</b>  | <b>4,317</b>          | <b>8,775</b>        |
| NZS Fund and GSF assets            | 8,520                       | 8,253                         | 267             | 8,748                 | 6,429               |
| <b>Core Crown net debt</b>         | <b>11,315</b>               | <b>12,149</b>                 | <b>(834)</b>    | <b>13,065</b>         | <b>15,204</b>       |
| % of GDP                           | 7.7                         | 8.3                           | (0.6)           | 8.7                   | 10.6                |

**Gross sovereign-issued debt (GSID)** was \$80 million higher than forecast (23.3% of GDP). This was largely due to higher than forecast borrowings held by the Reserve Bank that was partially offset by lower than forecast borrowings held by the Debt Management Office.

**Net debt** was \$834 million lower than forecasts largely reflecting:

- higher than forecast cash flow from operating activities of \$151 million;
- delays in the purchase of physical assets of \$175 million; and
- additional issues of circulating currency (which are not forecast as a matter of policy) of \$335 million.

## OPERATING

**Table 4 – Summary Operating Balance by Segment**

| \$ million                               | Core Crown   | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown  |
|--|--------------|----------------|-------------------------|----------------------------|--------------|
| <b>Revenue</b>                           |              |                |                         |                            |              |
| March 2005 Actual YTD                    | 39,232       | 16,420         | 7,188                   | (12,864)                   | 49,976       |
| March YTD forecast                       | 38,801       | 16,025         | 7,266                   | (12,900)                   | 49,192       |
| <b>Variance</b>                          | <b>431</b>   | <b>395</b>     | <b>(78)</b>             | <b>36</b>                  | <b>784</b>   |
| <b>Expenses</b>                          |              |                |                         |                            |              |
| March 2005 Actual YTD                    | 32,476       | 15,823         | 6,347                   | (12,520)                   | 42,126       |
| March YTD forecast                       | 33,046       | 15,852         | 6,665                   | (12,479)                   | 43,084       |
| <b>Variance</b>                          | <b>(570)</b> | <b>(29)</b>    | <b>(318)</b>            | <b>(41)</b>                | <b>(958)</b> |
| <b>TEI Surplus and Minority Interest</b> |              |                |                         |                            |              |
| March 2005 Actual YTD                    | -            | 102            | -                       | -                          | 102          |
| March YTD forecast                       | -            | 102            | -                       | -                          | 102          |
| <b>Variance</b>                          | <b>-</b>     | <b>-</b>       | <b>-</b>                | <b>-</b>                   | <b>-</b>     |
| <b>Operating balance</b>                 |              |                |                         |                            |              |
| March 2005 Actual YTD                    | 6,756        | 699            | 841                     | (344)                      | 7,952        |
| March YTD forecast                       | 5,755        | 275            | 601                     | (421)                      | 6,210        |
| <b>Variance</b>                          | <b>1,001</b> | <b>424</b>     | <b>240</b>              | <b>77</b>                  | <b>1,742</b> |

The **operating balance** was \$1.7 billion ahead of forecast. The main drivers of the variance were:

- Taxation revenue being higher-than-forecast by around \$224 million;
- Investment income being higher-than-forecast by around \$436 million reflecting investment gains by the GSF, NZS Fund and ACC on their financial assets due to an appreciation in global equity markets;
- State owned enterprises surpluses were higher-than-forecast by \$240 million, spread over a number of entities; and
- Core Crown expenses being lower-than-forecast by \$570 million, with
  - health expenses being lower-than-forecast by \$134 million due to delays in implementing programmes;
  - social security and welfare expenses being lower-than-forecast by \$114 million, which comprises delays in spending by the Ministry of Social Development, timing delays in the write off of family support debt and lower benefit payments; and
  - core government services being lower-than-forecast by \$98 million, which was spread over a number of departments.

The **OBERAC** was \$1.4 billion ahead of forecast, primarily due to the variances in the operating balance (mentioned above) excluding the investment income gains. The full year forecast for the OBERAC will be affected by SOE surpluses and the final amount of spending delays sustained through until 30 June 2005.

## COMPARISON WITH PRIOR YEAR

**Table 5** – Comparison with prior year

|  | 31 March<br>2005<br>Actual<br>\$m | 31 March<br>2004<br>Actual<br>\$m | Change<br>\$m  | Change<br>%  |
|--|-----------------------------------|-----------------------------------|----------------|--------------|
| <b>Statement of Financial Performance</b>      |                                   |                                   |                |              |
| <b>Core Crown revenue</b>                      |                                   |                                   |                |              |
| Taxation revenue                               | 35,713                            | 32,550                            | 3,163          | 9.7          |
| Other revenue                                  | 3,519                             | 2,976                             | 543            | 18.2         |
| <b>Total core Crown Revenue</b>                | <b>39,232</b>                     | <b>35,526</b>                     | <b>3,706</b>   | <b>10.4</b>  |
| <b>Core Crown expenses</b>                     |                                   |                                   |                |              |
| Social security and welfare                    | 10,751                            | 10,589                            | (162)          | (1.5)        |
| GSF pension expenses (excl valuation)          | 789                               | 748                               | (41)           | (5.5)        |
| GSF unfunded liability movement                | 435                               | (330)                             | (765)          | (231.8)      |
| Health   | 6,371                             | 5,935                             | (436)          | (7.3)        |
| Education                                      | 5,798                             | 5,430                             | (368)          | (6.8)        |
| Core government services                       | 1,382                             | 1,242                             | (140)          | (11.3)       |
| Law and order                                  | 1,387                             | 1,345                             | (42)           | (3.1)        |
| Defence  | 933                               | 880                               | (53)           | (6.0)        |
| Transport and communications                   | 986                               | 898                               | (88)           | (9.8)        |
| Economic and industrial services               | 1,022                             | 850                               | (172)          | (20.2)       |
| Primary services                               | 270                               | 254                               | (16)           | (6.3)        |
| Heritage, culture and recreation               | 504                               | 421                               | (83)           | (19.7)       |
| Housing and community development              | 105                               | 103                               | (2)            | (1.9)        |
| Other  | 20                                | 47                                | 27             | 57.4         |
| Finance costs                                  | 1,712                             | 1,706                             | (6)            | (0.4)        |
| Net foreign-exchange losses/(gains)            | 11                                | 69                                | 58             | 84.1         |
| <b>Total core Crown Expenses</b>               | <b>32,476</b>                     | <b>30,187</b>                     | <b>(2,289)</b> | <b>(7.6)</b> |
| ACC unfunded liability movement                | (676)                             | (62)                              | 614            | -            |
| Net surplus of SOE/CE's                        | 1,872                             | 1,352                             | 520            | 38.5         |
| <b>Operating Balance</b>                       | <b>7,952</b>                      | <b>6,691</b>                      | <b>1,261</b>   | <b>18.8</b>  |
| <b>OBERAC</b>                                  | <b>7,598</b>                      | <b>4,003</b>                      | <b>3,595</b>   | <b>89.8</b>  |
| <b>Cash flows from operating and investing</b> | <b>3,295</b>                      | <b>1,213</b>                      | <b>2,082</b>   | <b>171.6</b> |
| <b>Debt indicators</b>                         |                                   |                                   |                |              |
| <b>Gross sovereign-issued debt</b>             | <b>34,123</b>                     | <b>37,969</b>                     | <b>3,846</b>   | <b>10.1</b>  |
| <b>Net core Crown debt</b>                     | <b>11,315</b>                     | <b>15,285</b>                     | <b>3,970</b>   | <b>26.0</b>  |

**Taxation revenue** was \$3.2 billion (growth of 9.7%) higher than the nine months ended 31 March 2004. 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 \$543 million higher than the previous year, mainly due to higher investment income earned by the NZ Superannuation Fund reflecting the increase in the assets held by the fund and a slight appreciation in global equity markets increasing both NZSF and GSF returns.

**Total core Crown expenses** (excluding GSF unfunded liability movement) were \$1.5 billion (growth of 5.0%) higher than the nine months ended 31 March 2004. Significant movements within core Crown functional expenses were:

- **Social security and welfare** expenses were \$162 million higher than the previous year mainly due to the indexation of welfare benefits which happens on 1 April, partially offset by lower unemployment benefits due to the low unemployment rate;

- **Health** expenses were \$436 million higher than the previous year mainly due to the increase in payments to District Health Boards, reflecting increased funding to maintain and improve existing services levels;
- **Education** expenses were \$368 million higher than the previous year largely in primary, secondary school and early childhood education spending, largely due to the impact of demand-driven expenses (roll growth) as well as policy initiatives from Budget 2004;
- **Economic and industrial services** expenses were \$172 million higher than the previous year, mainly due to increase spending on employment related initiatives, electricity initiatives and flood relief payments.
- **Core government services** expenses were \$140 million higher than the previous year, largely due to new policy initiatives, spread over a number of departments;

**Cash flow from operating and investing** was \$2,082 million higher than the previous year, reflecting that receipt growth has outpaced spending growth, mainly driven by tax receipts growth as previously mentioned.

**Gross sovereign-issued debt (GSID)** was \$3.8 billion lower than the previous year mainly due to the maturity of debt which has not been rolled over and cash flow from operating and investing activities being applied to debt reduction.

**Net core Crown debt** has reduced by \$4.0 billion from the previous year primarily due to cash flows from operations (\$7.6 billion) and issues of circulating currency (\$0.3 billion), offset by purchase of investments (\$2.3 billion) and purchase of physical assets (\$1.3 billion).





# FINANCIAL STATEMENTS

# STATEMENT OF ACCOUNTING POLICIES

*as at 31 March 2005*

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## **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
- New Zealand Superannuation Fund

A schedule of entities included in the Crown reporting entity was set out on pages 88 and 89 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2004.

## **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 45 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2004.

There have been no changes in the accounting policies during the period 1 July 2004 to 31 March 2005.

## **4 Forecast Results and Assumptions**

The forecast results in these Financial Statements have been derived from the forecasts released in the 2004 December Economic and Fiscal Update (2004 DEFU), on 14 December 2004.

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/defu/2004](http://www.treasury.govt.nz/forecast/defu/2004).



## STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

*as at 31 March 2005*

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### **5 Comparative Figures**

Comparative figures for the previous financial year to 30 June 2004 and comparative year-to-date period are presented in these 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 56 of the 30 June 2004 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 2005

| Prior Year<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m |   |          | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast |
|---|--------------------------------------|---|----------|---------------------------------|-----------------|-----------------|--------------|--------------------|
|   |                                      |   | Note     | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | \$m                |
|   |                                      | <b>Revenue</b>  |          |                                 |                 |                 |              |                    |
|   |                                      | <b>Levied through the Crown's<br/>Sovereign Power</b>               |          |                                 |                 |                 |              |                    |
| 42,532                                  | 32,550                               | Taxation revenue  | 1        | 35,293                          | 35,069          | 224             | 0.6          | 45,669             |
| 2,986                                   | 2,260                                | Levies, fees, fines and penalties                                   | 1        | 2,321                           | 2,253           | 68              | 3.0          | 3,002              |
| <b>45,518</b>                           | <b>34,810</b>                        | <b>Total Revenue Levied through<br/>the Crown's Sovereign Power</b> | <b>1</b> | <b>37,614</b>                   | <b>37,322</b>   | <b>292</b>      | <b>0.8</b>   | <b>48,671</b>      |
|   |                                      | <b>Earned through the Crown's<br/>Operations</b>                    |          |                                 |                 |                 |              |                    |
| 10,200                                  | 7,672                                | Sales of goods and services   | 2        | 8,037                           | 8,175           | (138)           | (1.7)        | 11,158             |
| 2,653                                   | 2,062                                | Investment income   | 3        | 2,505                           | 2,069           | 436             | 21.1         | 2,793              |
| 2,016                                   | 1,413                                | Other revenue   | 4        | 1,820                           | 1,626           | 194             | 11.9         | 2,021              |
| <b>14,869</b>                           | <b>11,147</b>                        | <b>Total Revenue Earned through<br/>the Crown's Operations</b>      |          | <b>12,362</b>                   | <b>11,870</b>   | <b>492</b>      | <b>4.1</b>   | <b>15,972</b>      |
| <b>60,387</b>                           | <b>45,957</b>                        | <b>Total Crown Revenue</b>  |          | <b>49,976</b>                   | <b>49,192</b>   | <b>784</b>      | <b>1.6</b>   | <b>64,643</b>      |
|   |                                      | <b>Expenses</b>   |          |                                 |                 |                 |              |                    |
|   |                                      | <b>By input type</b>  |          |                                 |                 |                 |              |                    |
| 15,466                                  | 11,515                               | Subsidies and transfer payments                                     | 5        | 11,697                          | 11,835          | 138             | 1.2          | 15,986             |
| 12,501                                  | 9,045                                | Personnel expenses  | 6        | 9,945                           | 10,195          | 250             | 2.5          | 13,444             |
| 22,662                                  | 16,317                               | Operating expenses  | 7        | 17,318                          | 17,967          | 649             | 3.6          | 25,306             |
| -                                       | -                                    | Forecast for future new spending                                    |          | -                               | -               | -               | -            | 461                |
| 2,602                                   | 1,938                                | Finance costs   |          | 2,063                           | 2,065           | 2               | 0.1          | 2,703              |
| (29)                                    | 70                                   | Net foreign-exchange<br>(gains)/losses                              |          | (8)                             | (89)            | (81)            | (91.0)       | (89)               |
| (315)                                   | (330)                                | Movement in total GSF liability                                     | 14       | 435                             | 435             | -               | -            | 443                |
| 170                                     | 62                                   | Movement in total ACC liability                                     | 15       | 676                             | 676             | -               | -            | 901                |
| <b>53,057</b>                           | <b>38,617</b>                        | <b>Total Crown Expenses</b>   |          | <b>42,126</b>                   | <b>43,084</b>   | <b>958</b>      | <b>2.2</b>   | <b>59,155</b>      |
| <b>7,330</b>                            | <b>7,340</b>                         | <b>Revenues less Expenses</b>                                       |          | <b>7,850</b>                    | <b>6,108</b>    | <b>1,742</b>    | <b>(0.6)</b> | <b>5,488</b>       |
| 139                                     | 59                                   | Net surplus TEIs  |          | 102                             | 102             | -               | -            | 139                |
| <b>7,469</b>                            | <b>7,399</b>                         | <b>Operating Balance (including<br/>minority interest)</b>          |          | <b>7,952</b>                    | <b>6,210</b>    | <b>1,742</b>    | <b>28.1</b>  | <b>5,627</b>       |
| (45)                                    | -                                    | Minority interest   |          | -                               | -               | -               | -            | -                  |
| <b>7,424</b>                            | <b>7,399</b>                         | <b>Operating Balance</b>  |          | <b>7,952</b>                    | <b>6,210</b>    | <b>1,742</b>    | <b>28.1</b>  | <b>5,627</b>       |

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 2005

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<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m |                                  | Current Year Actual vs Forecast |                 |                 |            | Annual<br>Forecast |
|---|--------------------------------------|----------------------------------|---------------------------------|-----------------|-----------------|------------|--------------------|
|   |                                      | Note                             | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          | \$m                |
| <b>Total Crown expenses</b>             |                                      |                                  |                                 |                 |                 |            |                    |
| <b>By functional classification</b>     |                                      |                                  |                                 |                 |                 |            |                    |
| 16,038                                  | 11,892                               | Social security and welfare      | 12,719                          | 12,876          | 157             | 1.2        | 17,389             |
| 660                                     | 418                                  | GSF pension expenses             | 1,224                           | 1,262           | 38              | 3.0        | 1,458              |
| 7,623                                   | 5,767                                | Health                           | 6,248                           | 6,351           | 103             | 1.6        | 8,543              |
| 8,349                                   | 5,799                                | Education                        | 6,198                           | 6,387           | 189             | 3.0        | 8,786              |
| 1,670                                   | 1,203                                | Core government services         | 1,330                           | 1,403           | 73              | 5.2        | 1,888              |
| 2,022                                   | 1,480                                | Law and order                    | 1,519                           | 1,579           | 60              | 3.8        | 2,150              |
| 1,259                                   | 838                                  | Defence                          | 900                             | 891             | (9)             | (1.0)      | 1,229              |
| 5,443                                   | 3,759                                | Transport and communications     | 4,084                           | 4,206           | 122             | 2.9        | 5,783              |
|   |                                      | Economic and industrial          |                                 |                 |                 |            |                    |
| 4,070                                   | 2,995                                | services                         | 3,249                           | 3,392           | 143             | 4.2        | 4,968              |
| 1,074                                   | 803                                  | Primary services                 | 834                             | 915             | 81              | 8.9        | 1,269              |
| 1,609                                   | 1,152                                | Heritage, culture and recreation | 1,248                           | 1,316           | 68              | 5.2        | 1,806              |
|   |                                      | Housing and community            |                                 |                 |                 |            |                    |
| 615                                     | 456                                  | development                      | 498                             | 515             | 17              | 3.3        | 689                |
| 52                                      | 47                                   | Other                            | 20                              | 15              | (5)             | (33.3)     | 122                |
| 2,602                                   | 1,938                                | Finance costs                    | 2,063                           | 2,065           | 2               | 0.1        | 2,703              |
|   |                                      | Net foreign-exchange             |                                 |                 |                 |            |                    |
| (29)                                    | 70                                   | (gains)/losses                   | (8)                             | (89)            | (81)            | (91.0)     | (89)               |
| -                                       | -                                    | Forecast for future new spending | -                               | -               | -               | -          | 461                |
| <b>53,057</b>                           | <b>38,617</b>                        | <b>Total Crown Expenses</b>      | <b>42,126</b>                   | <b>43,084</b>   | <b>958</b>      | <b>2.2</b> | <b>59,155</b>      |
| <b>Core Crown expenses</b>              |                                      |                                  |                                 |                 |                 |            |                    |
| <b>By functional classification</b>     |                                      |                                  |                                 |                 |                 |            |                    |
| 14,252                                  | 10,589                               | Social security and welfare      | 10,751                          | 10,865          | 114             | 1.0        | 14,691             |
| 660                                     | 418                                  | GSF pension expenses             | 1,224                           | 1,261           | 37              | 2.9        | 1,458              |
| 8,111                                   | 5,935                                | Health                           | 6,371                           | 6,505           | 134             | 2.1        | 8,819              |
| 7,585                                   | 5,430                                | Education                        | 5,798                           | 5,878           | 80              | 1.4        | 8,232              |
| 1,741                                   | 1,242                                | Core government services         | 1,382                           | 1,480           | 98              | 6.6        | 1,977              |
| 1,843                                   | 1,345                                | Law and order                    | 1,387                           | 1,443           | 56              | 3.9        | 1,971              |
| 1,311                                   | 880                                  | Defence                          | 933                             | 917             | (16)            | (1.7)      | 1,283              |
| 1,461                                   | 898                                  | Transport and communications     | 986                             | 985             | (1)             | (0.1)      | 1,620              |
|   |                                      | Economic and industrial          |                                 |                 |                 |            |                    |
| 1,192                                   | 850                                  | services                         | 1,022                           | 1,047           | 25              | 2.4        | 1,498              |
| 368                                     | 254                                  | Primary services                 | 270                             | 293             | 23              | 7.8        | 441                |
| 634                                     | 421                                  | Heritage, culture and recreation | 504                             | 551             | 47              | 8.5        | 762                |
|   |                                      | Housing and community            |                                 |                 |                 |            |                    |
| 139                                     | 103                                  | development                      | 105                             | 124             | 19              | 15.3       | 173                |
| 52                                      | 47                                   | Other                            | 20                              | 16              | (4)             | (25.0)     | 124                |
| 2,252                                   | 1,706                                | Finance costs                    | 1,712                           | 1,680           | (32)            | (1.9)      | 2,240              |
|   |                                      | Net foreign-exchange             |                                 |                 |                 |            | 1                  |
| 7                                       | 69                                   | losses/(gains)                   | 11                              | 1               | (10)            | -          | -                  |
| -                                       | -                                    | Forecast for future new spending | -                               | -               | -               | -          | 461                |
| <b>41,608</b>                           | <b>30,187</b>                        | <b>Total Expenses</b>            | <b>32,476</b>                   | <b>33,046</b>   | <b>570</b>      | <b>1.7</b> | <b>45,751</b>      |

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

# STATEMENT OF CASH FLOWS

for the nine months ended 31 March 2005

| Prior Year<br>30<br>June<br>2004<br>\$m     | Actual<br>31<br>March<br>2004<br>\$m |   | Current Year Actual vs Forecast |                 |                 |                | Annual<br>Forecast |
|---|--------------------------------------|---|---------------------------------|-----------------|-----------------|----------------|--------------------|
|   |                                      |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %              | \$m                |
| <b>Cash Flows From Operations</b>           |                                      |   |                                 |                 |                 |                |                    |
| <b>Cash was provided from</b>               |                                      |   |                                 |                 |                 |                |                    |
| 42,308                                      | 31,783                               | Total tax receipts (refer Note 1)                             | 34,674                          | 34,542          | 132             | 0.4            | 45,691             |
| 2,852                                       | 2,263                                | Total other sovereign receipts (refer Note 1)                 | 2,364                           | 2,328           | 36              | 1.5            | 2,954              |
| 1,366                                       | 1,151                                | Interest  | 1,122                           | 1,116           | 6               | 0.5            | 1,349              |
| 56  | 46                                   | Dividends   | 50                              | 52              | (2)             | (3.8)          | 72                 |
| 10,478                                      | 7,825                                | Sales of goods and services                                   | 8,054                           | 8,281           | (227)           | (2.7)          | 11,490             |
| 1,958                                       | 1,104                                | Other operating receipts                                      | 1,440                           | 1,493           | (53)            | (3.5)          | 1,599              |
| <b>59,018</b>                               | <b>44,172</b>                        | <b>Total cash provided from operations</b>                    | <b>47,704</b>                   | <b>47,812</b>   | <b>(108)</b>    | <b>(0.2)</b>   | <b>63,155</b>      |
| <b>Cash was disbursed to</b>                |                                      |   |                                 |                 |                 |                |                    |
| 15,370                                      | 11,646                               | Subsidies and transfer payments                               | 11,534                          | 11,918          | 384             | 3.2            | 15,927             |
| 32,398                                      | 23,671                               | Personnel and operating payments                              | 25,422                          | 25,895          | 473             | 1.8            | 35,077             |
| 2,256                                       | 1,593                                | Finance costs   | 1,591                           | 1,684           | 93              | 5.5            | 2,295              |
| -   | -                                    | Forecast for future new spending                              | -                               | -               | -               | -              | 461                |
| <b>50,024</b>                               | <b>36,910</b>                        | <b>Total cash disbursed to operations</b>                     | <b>38,547</b>                   | <b>39,497</b>   | <b>950</b>      | <b>2.4</b>     | <b>53,760</b>      |
| <b>8,994</b>                                | <b>7,262</b>                         | <b>Net Cash Flows From Operations</b>                         | <b>9,157</b>                    | <b>8,315</b>    | <b>842</b>      | <b>10.1</b>    | <b>9,395</b>       |
| <b>Cash Flows From Investing Activities</b> |                                      |   |                                 |                 |                 |                |                    |
| <b>Cash was provided from</b>               |                                      |   |                                 |                 |                 |                |                    |
| 226   | 116                                  | Sale of physical assets                                       | 161                             | 139             | 22              | 15.8           | 72                 |
| <b>226</b>                                  | <b>116</b>                           | <b>Total cash provided from investing activities</b>          | <b>161</b>                      | <b>139</b>      | <b>22</b>       | <b>15.8</b>    | <b>72</b>          |
| <b>Cash was disbursed to</b>                |                                      |   |                                 |                 |                 |                |                    |
| 3,761                                       | 2,516                                | Purchase of physical assets                                   | 3,291                           | 3,880           | 589             | 15.2           | 5,233              |
| 976   | 1,258                                | Net increase in advances                                      | 801                             | 1,178           | 377             | 32.0           | 1,610              |
|   |                                      | Net purchase/(sale) of marketable securities,                 |                                 |                 | -               |                |                    |
| 2,556                                       | 5,111                                | deposits & equity investments                                 | 4,982                           | 3,922           | (1,060)         | (27.0)         | 3,993              |
| -   | -                                    | Capital contingency provision                                 | -                               | -               | -               | -              | 158                |
| <b>7,293</b>                                | <b>8,885</b>                         | <b>Total cash disbursed to investing activities</b>           | <b>9,074</b>                    | <b>8,980</b>    | <b>(94)</b>     | <b>(1.0)</b>   | <b>10,994</b>      |
| <b>(7,067)</b>                              | <b>(8,769)</b>                       | <b>Net Cash Flows From Investing Activities</b>               | <b>(8,913)</b>                  | <b>(8,841)</b>  | <b>(72)</b>     | <b>(0.8)</b>   | <b>(10,922)</b>    |
| <b>1,927</b>                                | <b>(1,507)</b>                       | <b>Net Cash Flows From Operating and Investing Activities</b> | <b>244</b>                      | <b>(526)</b>    | <b>770</b>      | <b>146.4</b>   | <b>(1,527)</b>     |
| <b>Cash Flows From Financing Activities</b> |                                      |   |                                 |                 |                 |                |                    |
| <b>Cash was Provided From</b>               |                                      |   |                                 |                 |                 |                |                    |
| 114   | 173                                  | Issues of circulating currency                                | 348                             | 31              | 317             | -              | 31                 |
| 129   | 1,747                                | Net issues/(repayment) of Government stock <sup>1</sup>       | (1,389)                         | (1,415)         | 26              | 1.8            | (961)              |
| <b>243</b>                                  | <b>1,920</b>                         | <b>Total cash provided from financing activities</b>          | <b>(1,041)</b>                  | <b>(1,384)</b>  | <b>343</b>      | <b>24.8</b>    | <b>(930)</b>       |
| <b>Cash was Disbursed to</b>                |                                      |   |                                 |                 |                 |                |                    |
|   |                                      | Net repayment/(issues) of other New Zealand-                  |                                 |                 |                 |                |                    |
| 241   | (47)                                 | dollar borrowing  | 601                             | (571)           | (1,172)         | (205.3)        | (780)              |
|   |                                      | Net (issues)/repayment of foreign-currency                    |                                 |                 |                 |                |                    |
| 1,120                                       | 389                                  | borrowing   | (1,333)                         | (1,112)         | 221             | 19.9           | (789)              |
| <b>1,361</b>                                | <b>342</b>                           | <b>Total cash disbursed to financing activities</b>           | <b>(732)</b>                    | <b>(1,683)</b>  | <b>(951)</b>    | <b>(56.5)</b>  | <b>(1,569)</b>     |
| <b>(1,118)</b>                              | <b>1,578</b>                         | <b>Net Cash Flows From Financing Activities</b>               | <b>(309)</b>                    | <b>299</b>      | <b>(608)</b>    | <b>(203.3)</b> | <b>639</b>         |
| <b>809</b>                                  | <b>71</b>                            | <b>Net Movement in Cash</b>                                   | <b>(65)</b>                     | <b>(227)</b>    | <b>162</b>      | <b>71.4</b>    | <b>(888)</b>       |
| 2,732                                       | 2,732                                | <b>Opening Cash Balance</b>                                   | 3,450                           | 3,450           | -               | -              | 3,450              |
|   |                                      | Foreign-exchange (losses)/gains on                            |                                 |                 |                 |                |                    |
| (91)  | (41)                                 | opening cash  | 72                              | 14              | 58              | 414.3          | 15                 |
| <b>3,450</b>                                | <b>2,762</b>                         | <b>Closing Cash Balance</b>                                   | <b>3,457</b>                    | <b>3,237</b>    | <b>220</b>      | <b>6.8</b>     | <b>2,577</b>       |

<sup>1</sup> 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 2005

| Prior Year<br>30<br>June<br>2004<br>\$m  | Actual<br>31<br>March<br>2004<br>\$m |  | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast |
|--|--------------------------------------|--|---------------------------------|-----------------|-----------------|---------------|--------------------|
|  |                                      |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             | \$m                |
| <b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b> |                                      |  |                                 |                 |                 |               |                    |
| 8,994  | 7,262                                | <b>Net Cash Flows from Operations</b>  | 9,157                           | 8,315           | 842             | 10            | 9,395              |
|  |                                      | <i>Items included in the operating balance but not in net cash flows from operations</i> |                                 |                 |                 |               |                    |
|  |                                      | <b>Valuation changes</b>   |                                 |                 |                 |               |                    |
| 315  | 330                                  | Decrease/(increase) in pension liabilities   | (435)                           | (435)           | -               | -             | (443)              |
| (170)  | (62)                                 | (Increase)/decrease in ACC liabilities   | (676)                           | (676)           | -               | -             | (901)              |
| (9)  | -                                    | National Provident Fund guarantee  | -                               | -               | -               | -             | -                  |
| (40)   | -                                    | Revaluation of commercial forests  | -                               | -               | -               | -             | 93                 |
| (225)  | (217)                                | Unrealised net foreign-exchange (losses)/gains   | 146                             | 81              | 65              | 80            | 411                |
| 648  | 780                                  | Other valuation changes  | 656                             | 384             | 272             | 71            | -                  |
| <b>519</b>   | <b>831</b>                           | <b>Total valuation changes</b>   | <b>(309)</b>                    | <b>(646)</b>    | <b>337</b>      | <b>52.2</b>   | <b>(840)</b>       |
|  |                                      | <b>Property, plant &amp; equipment asset movements</b>                                   |                                 |                 |                 |               |                    |
| (2,347)  | (1,734)                              | Depreciation   | (1,841)                         | (1,917)         | 76              | 4.0           | (2,596)            |
| 15   | -                                    | (Loss)/gain on sale of physical assets   | -                               | -               | -               | -             | -                  |
| <b>(2,332)</b>   | <b>(1,734)</b>                       | <b>Total property, plant &amp; equipment movements</b>                                   | <b>(1,841)</b>                  | <b>(1,917)</b>  | <b>76</b>       | <b>4.0</b>    | <b>(2,596)</b>     |
|  |                                      | <b>Other Non-cash Items</b>  |                                 |                 |                 |               |                    |
| (80)   | 39                                   | Student loans  | 49                              | 117             | (68)            | (58.1)        | (68)               |
| (78)   | (35)                                 | Amortisation of goodwill   | (69)                            | (69)            | -               | -             | (93)               |
| -  | -                                    | Accrued income from NZS Fund   | -                               | -               | -               | -             | 283                |
| 139  | 62                                   | Other  | 102                             | 102             | -               | -             | 139                |
| <b>(19)</b>  | <b>66</b>                            | <b>Total Other Non-cash Items</b>  | <b>82</b>                       | <b>150</b>      | <b>(68)</b>     | <b>(45.3)</b> | <b>261</b>         |
|  |                                      | <b>Movements in Working Capital</b>  |                                 |                 |                 |               |                    |
| 468  | 733                                  | (Decrease)/increase in taxes receivable  | 672                             | 546             | 126             | 23.1          | (85)               |
| (24)   | (476)                                | Increase/(decrease) in other receivables   | 512                             | (174)           | 686             | 394.3         | (73)               |
| 48   | 51                                   | Increase/(decrease) in inventories   | 63                              | 67              | (4)             | (6.0)         | (3)                |
| (230)  | 666                                  | (Increase)/decrease in payables  | (384)                           | (131)           | (253)           | (193.1)       | (432)              |
| <b>262</b>   | <b>974</b>                           | <b>Total movements in working capital</b>  | <b>863</b>                      | <b>308</b>      | <b>555</b>      | <b>180.2</b>  | <b>(593)</b>       |
| <b>7,424</b>   | <b>7,399</b>                         | <b>Operating Balance</b>   | <b>7,952</b>                    | <b>6,210</b>    | <b>1,742</b>    | <b>28.1</b>   | <b>5,627</b>       |

## STATEMENT OF MOVEMENTS IN EQUITY

for the nine months ended 31 March 2005

|               |               |   |               |               |              |             |               |
|---------------|---------------|---|---------------|---------------|--------------|-------------|---------------|
| 23,781        | 23,687        | <b>Opening Crown Balance</b>                  | 35,463        | 35,463        | -            | -           | 35,463        |
| 7,424         | 7,399         | Operating balance for the period              | 7,952         | 6,210         | 1,742        | 28.1        | 5,627         |
| 45            | -             | Minority interest in operating balance        | -             | -             | -            | -           | -             |
| 4,213         | 33            | Net revaluations                              | 602           | -             | 602          | -           | 19            |
| <b>11,682</b> | <b>7,432</b>  | <b>Total Recognised Revenues and Expenses</b> | <b>8,554</b>  | <b>6,210</b>  | <b>2,344</b> | <b>37.7</b> | <b>5,646</b>  |
| <b>35,463</b> | <b>31,119</b> | <b>Closing Crown Balance</b>                  | <b>44,017</b> | <b>41,673</b> | <b>2,344</b> | <b>5.6</b>  | <b>41,109</b> |

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

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2005

| Prior Year<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m |  |      | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast |
|---|--------------------------------------|--|------|---------------------------------|-----------------|-----------------|--------------|--------------------|
|   |                                      |  | Note | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | \$m                |
| <b>Assets</b>                           |                                      |  |      |                                 |                 |                 |              |                    |
| 3,450                                   | 2,762                                | Cash and bank balances                         | 8    | 3,457                           | 3,237           | 220             | 6.8          | 2,577              |
|   |                                      | Marketable securities, deposits                |      |                                 |                 |                 |              |                    |
| 24,636                                  | 26,874                               | & equity investments                           | 8    | 29,840                          | 27,647          | 2,193           | 7.9          | 27,544             |
| 7,445                                   | 7,374                                | Advances                                       | 9    | 8,602                           | 8,756           | (154)           | (1.8)        | 9,045              |
| 10,587                                  | 10,400                               | Receivables                                    | 10   | 11,771                          | 10,959          | 812             | 7.4          | 10,429             |
| 888                                     | 891                                  | Inventories                                    |      | 951                             | 955             | (4)             | (0.4)        | 955                |
| 259                                     | 247                                  | Other investments                              | 11   | 211                             | 255             | (44)            | (17.3)       | 256                |
| 57,940                                  | 53,062                               | Property, plant & equipment                    | 12   | 59,707                          | 59,600          | 107             | 0.2          | 60,376             |
| 251                                     | 293                                  | Commercial forests                             |      | 250                             | 251             | (1)             | (0.4)        | 251                |
| 4,367                                   | 4,407                                | Investment in TEIs                             |      | 4,482                           | 4,482           | -               | -            | 4,532              |
| 849                                     | 1,021                                | Intangible assets                              |      | 760                             | 764             | (4)             | (0.5)        | 731                |
| -                                       | -                                    | Forecast for new capital                       |      | -                               | -               | -               | -            | 158                |
| <b>110,672</b>                          | <b>107,331</b>                       | <b>Total Assets</b>                            |      | <b>120,031</b>                  | <b>116,906</b>  | <b>3,125</b>    | <b>2.7</b>   | <b>116,854</b>     |
| <b>Liabilities</b>                      |                                      |  |      |                                 |                 |                 |              |                    |
| 12,486                                  | 11,141                               | Payables and provisions                        | 13   | 13,302                          | 12,296          | (1,006)         | (8.2)        | 12,379             |
| 3,009                                   | 3,068                                | Currency issued                                |      | 3,357                           | 3,040           | (317)           | (10.4)       | 3,040              |
|   |                                      | Borrowings - sovereign                         |      |                                 |                 |                 |              |                    |
| 29,958                                  | 31,892                               | guaranteed                                     |      | 27,917                          | 28,051          | 134             | 0.5          | 27,700             |
|   |                                      | Borrowings - non-sovereign                     |      |                                 |                 |                 |              |                    |
| 6,867                                   | 7,367                                | guaranteed                                     |      | 7,438                           | 7,846           | 408             | 5.2          | 8,393              |
| 13,542                                  | 13,527                               | GSF Pension liability                          | 14   | 13,977                          | 13,977          | -               | -            | 13,985             |
| 9,347                                   | 9,217                                | ACC liability                                  | 15   | 10,023                          | 10,023          | -               | -            | 10,248             |
| <b>75,209</b>                           | <b>76,212</b>                        | <b>Total Liabilities</b>                       |      | <b>76,014</b>                   | <b>75,233</b>   | <b>(781)</b>    | <b>(1.0)</b> | <b>75,745</b>      |
| <b>35,463</b>                           | <b>31,119</b>                        | <b>Total Assets less<br/>Total Liabilities</b> |      | <b>44,017</b>                   | <b>41,673</b>   | <b>2,344</b>    | <b>5.6</b>   | <b>41,109</b>      |
| <b>Crown Balance</b>                    |                                      |  |      |                                 |                 |                 |              |                    |
| 15,486                                  | 15,477                               | Taxpayer funds                                 |      | 23,458                          | 21,693          | (1,765)         | (8.1)        | 21,252             |
| 19,838                                  | 15,642                               | Revaluation reserve                            | 16   | 20,420                          | 19,841          | (579)           | (2.9)        | 19,857             |
| 139                                     | -                                    | Minority interest                              |      | 139                             | 139             | -               | -            | -                  |
| <b>35,463</b>                           | <b>31,119</b>                        | <b>Crown Balance</b>                           |      | <b>44,017</b>                   | <b>41,673</b>   | <b>2,344</b>    | <b>5.6</b>   | <b>41,109</b>      |

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

# STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 March 2005

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<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m | Current Year Actual vs Forecast |                 |                 |   | Annual<br>Forecast |
|---|--------------------------------------|---------------------------------|-----------------|-----------------|---|--------------------|
|   |                                      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$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.

|              |              |                         |              |              |            |            |              |
|--------------|--------------|-------------------------|--------------|--------------|------------|------------|--------------|
| 1,884        | 1,884        | Opening balance         | 3,956        | 3,956        | -          | -          | 3,956        |
| 1,879        | 1,424        | Gross contribution      | 1,540        | 1,540        | -          | -          | 2,107        |
| 193          | 98           | Income after tax        | 313          | 185          | 128        | 69.2       | 283          |
| <b>3,956</b> | <b>3,406</b> | <b>NZS Fund balance</b> | <b>5,809</b> | <b>5,681</b> | <b>128</b> | <b>2.3</b> | <b>6,346</b> |

## 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.

Gross 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 held by these entities. The Government's debt objective uses this measure of debt.

## Total Crown Debt

|               |               |                                    |               |               |              |              |               |
|---------------|---------------|------------------------------------|---------------|---------------|--------------|--------------|---------------|
| <b>36,825</b> | <b>39,259</b> | <b>Total Crown gross debt</b>      | <b>35,355</b> | <b>35,897</b> | <b>(542)</b> | <b>(1.5)</b> | <b>36,093</b> |
| <b>35,527</b> | <b>37,969</b> | <b>Gross sovereign-issued debt</b> | <b>34,123</b> | <b>34,043</b> | <b>80</b>    | <b>0.2</b>   | <b>33,846</b> |

## Core Crown Debt

|               |               |                                   |               |               |                |               |               |
|---------------|---------------|-----------------------------------|---------------|---------------|----------------|---------------|---------------|
| 35,527        | 37,969        | Gross sovereign-issued debt       | 34,123        | 34,043        | 80             | 0.2           | 33,846        |
| (26,752)      | (28,034)      | Financial assets                  | (31,328)      | (30,147)      | (1,181)        | (3.9)         | (29,529)      |
| <b>8,775</b>  | <b>9,935</b>  |                                   | <b>2,795</b>  | <b>3,896</b>  | <b>(1,101)</b> | <b>(28.3)</b> | <b>4,317</b>  |
| 6,429         | 5,350         | NZS Fund and GSF financial assets | 8,520         | 8,253         | 267            | 3.2           | 8,748         |
| <b>15,204</b> | <b>15,285</b> | <b>Net Core Crown Debt</b>        | <b>11,315</b> | <b>12,149</b> | <b>(834)</b>   | <b>(6.9)</b>  | <b>13,065</b> |

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

# STATEMENT OF BORROWINGS

as at 31 March 2005

| Prior Year<br>30<br>June<br>2004<br>\$m                       | Actual<br>31<br>March<br>2004<br>\$m |   | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast<br>\$m |
|---|--------------------------------------|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
|   |                                      |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             |                           |
| <b>Sovereign-Guaranteed Debt</b>                              |                                      |   |                                 |                 |                 |               |                           |
| <b>New Zealand-Dollar Debt</b>                                |                                      |   |                                 |                 |                 |               |                           |
| 17,351  | 20,276                               | Government stock                        | 15,556                          | 15,592          | 36              | 0.2           | 15,992                    |
| 5,525   | 5,479                                | Treasury bills                          | 5,354                           | 5,390           | 36              | 0.7           | 5,390                     |
| (1,098)   | (1,868)                              | Loans and foreign-exchange contracts    | (503)                           | 1,316           | 1,819           | 138.2         | 1,050                     |
| 654   | 706                                  | Retail stock                            | 602                             | 585             | (17)            | (2.9)         | 547                       |
| <b>22,432</b>   | <b>24,593</b>                        | <b>Total New Zealand-Dollar Debt</b>    | <b>21,009</b>                   | <b>22,883</b>   | <b>1,874</b>    | <b>8.2</b>    | <b>22,979</b>             |
| <b>Foreign-Currency Debt</b>                                  |                                      |   |                                 |                 |                 |               |                           |
| 3,079   | 2,637                                | United States dollars                   | 2,833                           | 2,926           | 93              | 3.2           | 1,879                     |
| 1,015   | 1,090                                | Japanese yen                            | 416                             | 557             | 141             | 25.3          | 557                       |
| 3,432   | 3,572                                | European and other currencies           | 3,659                           | 1,685           | (1,974)         | (117.2)       | 2,285                     |
| <b>7,526</b>  | <b>7,299</b>                         | <b>Total Foreign-Currency Debt</b>      | <b>6,908</b>                    | <b>5,168</b>    | <b>(1,740)</b>  | <b>(33.7)</b> | <b>4,721</b>              |
| <b>29,958</b>   | <b>31,892</b>                        | <b>Total Sovereign-Guaranteed Debt</b>  | <b>27,917</b>                   | <b>28,051</b>   | <b>134</b>      | <b>0.5</b>    | <b>27,700</b>             |
| <b>Non-Sovereign-Guaranteed Debt</b>                          |                                      |   |                                 |                 |                 |               |                           |
| 4,283   | 5,689                                | New Zealand dollars                     | 5,030                           | 5,854           | 824             | 14.1          | 6,341                     |
| 1,679   | 984                                  | United States dollars                   | 1,617                           | 1,452           | (165)           | (11.4)        | 1,556                     |
| 351   | -                                    | Japanese yen                            | 184                             | -               | (184)           | -             | -                         |
| 554   | 694                                  | European and other currencies           | 607                             | 540             | (67)            | (12.4)        | 496                       |
| <b>6,867</b>  | <b>7,367</b>                         | <b>Total Non-Sovereign Debt</b>         | <b>7,438</b>                    | <b>7,846</b>    | <b>408</b>      | <b>5.2</b>    | <b>8,393</b>              |
| <b>36,825</b>   | <b>39,259</b>                        | <b>Total Borrowings (Gross Debt)</b>    | <b>35,355</b>                   | <b>35,897</b>   | <b>542</b>      | <b>1.5</b>    | <b>36,093</b>             |
| <b>Less</b>   |                                      |   |                                 |                 |                 |               |                           |
| <b>Financial Assets (including restricted assets)</b>         |                                      |   |                                 |                 |                 |               |                           |
| <b>Marketable Securities, Deposits and Equity Investments</b> |                                      |   |                                 |                 |                 |               |                           |
| 7,089   | 8,955                                | New Zealand dollars                     | 10,879                          | 10,311          | 568             | 5.5           | 10,768                    |
| 4,069   | 5,270                                | United States dollars                   | 3,918                           | 4,353           | (435)           | (10.0)        | 3,978                     |
| 1,206   | 1,223                                | Japanese yen                            | 687                             | 872             | (185)           | (21.2)        | 641                       |
| 2,814   | 2,868                                | European and other currencies           | 3,256                           | 817             | 2,439           | 298.5         | 899                       |
| 1,012   | 971                                  | Reserve position at IMF                 | 794                             | 823             | (29)            | (3.5)         | 825                       |
| 1,968   | 1,845                                | NZ equity investments                   | 2,187                           | 2,192           | (5)             | (0.2)         | 2,175                     |
| 6,478   | 5,742                                | Foreign equity investments              | 8,119                           | 8,279           | (160)           | (1.9)         | 8,258                     |
| <b>24,636</b>   | <b>26,874</b>                        | <b>Total Marketable Securities</b>      | <b>29,840</b>                   | <b>27,647</b>   | <b>2,193</b>    | <b>7.9</b>    | <b>27,544</b>             |
| <b>Deposits &amp; Equity Investments</b>                      |                                      |   |                                 |                 |                 |               |                           |
| <b>Advances and Cash</b>                                      |                                      |   |                                 |                 |                 |               |                           |
| 5,995   | 6,066                                | Student loans                           | 6,640                           | 6,687           | (47)            | (0.7)         | 6,618                     |
| 1,450   | 1,308                                | Other advances                          | 1,962                           | 2,069           | (107)           | (5.2)         | 2,427                     |
| 3,450   | 2,762                                | Cash                                    | 3,457                           | 3,237           | 220             | 6.8           | 2,577                     |
| <b>10,895</b>   | <b>10,136</b>                        | <b>Total Advances and Cash</b>          | <b>12,059</b>                   | <b>11,993</b>   | <b>66</b>       | <b>0.6</b>    | <b>11,622</b>             |
| <b>35,531</b>   | <b>37,010</b>                        | <b>Total Financial Assets</b>           | <b>41,899</b>                   | <b>39,640</b>   | <b>2,259</b>    | <b>5.7</b>    | <b>39,166</b>             |
| <b>1,294</b>  | <b>2,249</b>                         | <b>Borrowings less Financial Assets</b> | <b>(6,544)</b>                  | <b>(3,742)</b>  | <b>2,802</b>    | <b>74.9</b>   | <b>(3,073)</b>            |
| 6,862   | 9,413                                | Net New Zealand-dollar debt             | 601                             | 4,305           | 3,704           | 86.0          | 4,798                     |
| (5,568)   | (7,164)                              | Net foreign-currency debt               | (7,145)                         | (8,047)         | (902)           | (11.2)        | (7,871)                   |
| <b>1,294</b>  | <b>2,249</b>                         | <b>Borrowings less Financial Assets</b> | <b>(6,544)</b>                  | <b>(3,742)</b>  | <b>2,802</b>    | <b>74.9</b>   | <b>(3,073)</b>            |

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



## STATEMENT OF COMMITMENTS

as at 31 March 2005

|  | As at<br>31 March<br>2005<br>\$m | As at<br>30 June<br>2004<br>\$m | As at<br>31 March<br>2004<br>\$m |
|--|----------------------------------|---------------------------------|----------------------------------|
| <b>Capital Commitments</b>                                     |                                  |                                 |                                  |
| Specialist military equipment                                  | 887                              | 86                              | 105                              |
| Land and buildings   | 1,813                            | 1,611                           | 1,241                            |
| Other property, plant and equipment                            | 870                              | 1,012                           | 482                              |
| Other capital commitments                                      | 104                              | 400                             | 134                              |
| TEIs   | 60                               | 60                              | 32                               |
| <b>Total Capital Commitments</b>                               | <b>3,734</b>                     | <b>3,169</b>                    | <b>1,994</b>                     |
| <b>Operating Commitments</b>                                   |                                  |                                 |                                  |
| Non-cancellable accommodation leases                           | 1,458                            | 1,492                           | 1,312                            |
| Other non-cancellable leases                                   | 2,337                            | 2,330                           | 2,499                            |
| Non-cancellable contracts for the supply of goods and services | 5,755                            | 2,253                           | 3,748                            |
| Other operating commitments                                    | 2,541                            | 3,567                           | 1,506                            |
| TEIs   | 325                              | 325                             | 316                              |
| <b>Total Operating Commitments</b>                             | <b>12,416</b>                    | <b>9,967</b>                    | <b>9,381</b>                     |
| <b>Total Commitments</b>                                       | <b>16,150</b>                    | <b>13,136</b>                   | <b>11,375</b>                    |
| <b>Total Commitments by Institutional Segment</b>              |                                  |                                 |                                  |
| Core Crown   | 7,338                            | 3,530                           | 5,157                            |
| Crown entities   | 6,634                            | 7,413                           | 3,997                            |
| State-owned enterprises  | 2,178                            | 2,193                           | 2,221                            |
| <b>Total Commitments</b>                                       | <b>16,150</b>                    | <b>13,136</b>                   | <b>11,375</b>                    |

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 March 2005

| <b>Quantifiable Contingent Liabilities</b>                                | As at<br>31 March<br>2005<br>\$m | As at<br>30 June<br>2004<br>\$m | As at<br>31 June<br>2005<br>\$m |
|---|----------------------------------|---------------------------------|---------------------------------|
| Guarantees and Indemnities  | 166                              | 292                             | 249                             |
| Uncalled Capital  | 2,218                            | 2,528                           | 2,324                           |
| Legal Proceedings and Disputes  | 727                              | 794                             | 653                             |
| Other Contingent Liabilities  | 1,458                            | 1,371                           | 1,076                           |
| <b>Total Quantifiable Contingent Liabilities</b>                          | <b>4,569</b>                     | <b>4,985</b>                    | <b>4,302</b>                    |
| <b>Total Quantifiable Contingent Liabilities by Institutional Segment</b> |                                  |                                 |                                 |
| Core Crown  | 4,298                            | 4,734                           | 4,038                           |
| Crown entities  | 11                               | 53                              | 10                              |
| State-owned enterprises   | 260                              | 198                             | 254                             |
| <b>Total Quantifiable Contingent Liabilities</b>                          | <b>4,569</b>                     | <b>4,985</b>                    | <b>4,302</b>                    |
| <b>Quantifiable Contingent Assets</b>                                     |                                  |                                 |                                 |
| Core Crown - Education and Transport                                      | 121                              | 157                             | 129                             |
| <b>Total Quantifiable Contingent Assets</b>                               | <b>121</b>                       | <b>157</b>                      | <b>129</b>                      |

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<br>March<br>2004/05<br>\$m | Forecast<br>March<br>2004/05<br>\$m | Actual<br>March<br>2004/05<br>\$m | Forecast<br>March<br>2004/05<br>\$m |
| <b>Revenue</b>                               |                                   |                                     |                                   |                                     |
| Taxation revenue                             | 35,713                            | 35,431                              | -                                 | -                                   |
| Other sovereign levied income                | 485                               | 481                                 | 1,872                             | 1,805                               |
| Sales of goods and services                  | 544                               | 539                                 | 1,283                             | 1,269                               |
| Investment income                            | 1,991                             | 1,813                               | 827                               | 672                                 |
| Other revenues                               | 499                               | 537                                 | 12,438                            | 12,279                              |
| <b>Total revenue</b>                         | <b>39,232</b>                     | <b>38,801</b>                       | <b>16,420</b>                     | <b>16,025</b>                       |
| <b>Expenses by input type</b>                |                                   |                                     |                                   |                                     |
| Subsidies and transfer payments              | 10,575                            | 10,699                              | 1,122                             | 1,136                               |
| Personnel expenses                           | 3,513                             | 3,663                               | 5,171                             | 5,229                               |
| Operating expenses                           | 16,230                            | 16,567                              | 8,597                             | 8,636                               |
| Finance costs                                | 1,712                             | 1,681                               | 195                               | 198                                 |
| FX losses/(gains)                            | 11                                | 1                                   | 62                                | (23)                                |
| GSF and ACC liability revaluation movts      | 435                               | 435                                 | 676                               | 676                                 |
| <b>Total expenses</b>                        | <b>32,476</b>                     | <b>33,046</b>                       | <b>15,823</b>                     | <b>15,852</b>                       |
| <b>Expenses by functional classification</b> |                                   |                                     |                                   |                                     |
| Social security and welfare                  | 10,751                            | 10,865                              | 2,069                             | 2,331                               |
| Health                                       | 6,371                             | 6,505                               | 5,433                             | 5,397                               |
| Education                                    | 5,798                             | 5,878                               | 4,503                             | 4,555                               |
| Other functional classifications             | 7,833                             | 8,117                               | 3,561                             | 3,394                               |
| Forecast for future new spending             | -                                 | -                                   | -                                 | -                                   |
| Finance costs and FX losses/(gains)          | 1,723                             | 1,681                               | 257                               | 175                                 |
| <b>Total expenses</b>                        | <b>32,476</b>                     | <b>33,046</b>                       | <b>15,823</b>                     | <b>15,852</b>                       |
| Net surplus of TEIs                          | -                                 | -                                   | 102                               | 102                                 |
| Minority interest                            | -                                 | -                                   | -                                 | -                                   |
| <b>Operating balance</b>                     | <b>6,756</b>                      | <b>5,755</b>                        | <b>699</b>                        | <b>275</b>                          |

### Statement of Financial Position (institutional form)

as at 31 March 2005 (actual to forecast)

| (\$ million)                                       | Core Crown                        |                                     | Crown entities  |                                     |
|--|-----------------------------------|-------------------------------------|---|-------------------------------------|
|  | Actual<br>March<br>2004/05<br>\$m | Forecast<br>March<br>2004/05<br>\$m | Actual<br>March<br>2004/05<br>\$m   | Forecast<br>March<br>2004/05<br>\$m |
| <b>Assets</b>                                      |                                   |                                     |   |                                     |
| Financial assets                                   | 31,328                            | 30,147                              | 14,513  | 13,768                              |
| Physical assets                                    | 18,860                            | 19,048                              | 29,259  | 29,306                              |
| Investment in SOEs & CE (including TEIs)           | 23,500                            | 23,355                              | 4,482   | 4,489                               |
| Other assets                                       | 10,061                            | 9,410                               | 2,169   | 2,246                               |
| <b>Total assets</b>                                | <b>83,749</b>                     | <b>81,960</b>                       | <b>50,423</b>   | <b>49,809</b>                       |
| <b>Liabilities</b>                                 |                                   |                                     |   |                                     |
| Borrowings   | 33,135                            | 33,153                              | 3,835   | 3,812                               |
| Other liabilities                                  | 24,388                            | 23,585                              | 14,221  | 13,876                              |
| <b>Total liabilities</b>                           | <b>57,523</b>                     | <b>56,738</b>                       | <b>18,056</b>   | <b>17,688</b>                       |
| <b>Net worth</b>                                   | <b>26,226</b>                     | <b>25,222</b>                       | <b>32,367</b>   | <b>32,121</b>                       |
| Taxpayer funds                                     | 20,392                            | 19,379                              | 19,838  | 19,580                              |
| Revaluation reserves                               | 5,834                             | 5,843                               | 12,529  | 12,541                              |
| <b>Net worth</b>                                   | <b>26,226</b>                     | <b>25,222</b>                       | <b>32,367</b>   | <b>32,121</b>                       |
| <b>Analysis of financial assets and borrowings</b> |                                   |                                     |   |                                     |
| Advances and cash                                  | 9,527                             | 9,682                               | 1,815   | 1,672                               |
| MSDs and equity investments                        | 21,801                            | 20,465                              | 12,698  | 12,096                              |
| <b>Total financial assets</b>                      | <b>31,328</b>                     | <b>30,147</b>                       | <b>14,513</b>   | <b>13,768</b>                       |
| Borrowings - Sovereign guaranteed                  | 33,135                            | 33,153                              | -   | -                                   |
| Borrowings - Non-sovereign guaranteed              | -                                 | -                                   | 3,835   | 3,812                               |
| <b>Total borrowings</b>                            | <b>33,135</b>                     | <b>33,153</b>                       | <b>3,835</b>  | <b>3,812</b>                        |
| <b>Borrowings less financial assets</b>            | <b>1,807</b>                      | <b>3,006</b>                        | <b>(10,678)</b>   | <b>(9,956)</b>                      |
| <b>Net Crown debt</b>                              | <b>11,315</b>                     | <b>12,149</b>                       | 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. |                                     |
| <b>Gross sovereign-issued debt</b>                 | <b>34,123</b>                     | <b>34,043</b>                       |   |                                     |

# 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      |
|  | March                   | March        | March                 | March           | March         | March         |
|  | 2004/05                 | 2004/05      | 2004/05               | 2004/05         | 2004/05       | 2004/05       |
|  | \$m                     | \$m          | \$m                   | \$m             | \$m           | \$m           |
| <b>Revenue</b>                               |                         |              |                       |                 |               |               |
| Taxation revenue                             | -                       | -            | (420)                 | (320)           | 35,293        | 35,069        |
| Other sovereign levied income                | -                       | -            | (36)                  | (33)            | 2,321         | 2,253         |
| Sales of goods and services                  | 6,529                   | 6,697        | (319)                 | (289)           | 8,037         | 8,175         |
| Investment income                            | 141                     | 125          | (454)                 | (541)           | 2,505         | 2,069         |
| Other revenues                               | 518                     | 444          | (11,635)              | (11,634)        | 1,820         | 1,626         |
| <b>Total revenue</b>                         | <b>7,188</b>            | <b>7,266</b> | <b>(12,864)</b>       | <b>(12,817)</b> | <b>49,976</b> | <b>49,192</b> |
| <b>Expenses by input type</b>                |                         |              |                       |                 |               |               |
| Subsidies and transfer payments              | -                       | -            | -                     | -               | 11,697        | 11,835        |
| Personnel expenses                           | 1,265                   | 1,308        | (4)                   | (5)             | 9,945         | 10,195        |
| Operating expenses                           | 4,904                   | 5,128        | (12,413)              | (12,364)        | 17,318        | 17,967        |
| Finance costs                                | 259                     | 296          | (103)                 | (110)           | 2,063         | 2,065         |
| FX losses/(gains)                            | (81)                    | (67)         | -                     | -               | (8)           | (89)          |
| GSF and ACC liability revaluation movts      | -                       | -            | -                     | -               | 1,111         | 1,111         |
| <b>Total expenses</b>                        | <b>6,347</b>            | <b>6,665</b> | <b>(12,520)</b>       | <b>(12,479)</b> | <b>42,126</b> | <b>43,084</b> |
| <b>Expenses by functional classification</b> |                         |              |                       |                 |               |               |
| Social security and welfare                  | -                       | -            | (101)                 | (320)           | 12,719        | 12,876        |
| Health                                       | -                       | -            | (5,556)               | (5,551)         | 6,248         | 6,351         |
| Education                                    | -                       | -            | (4,103)               | (4,046)         | 6,198         | 6,387         |
| Other functional classifications             | 6,169                   | 6,436        | (2,657)               | (2,453)         | 14,906        | 15,494        |
| Forecast for future new spending             | -                       | -            | -                     | -               | -             | -             |
| Finance costs and FX losses/(gains)          | 178                     | 229          | (103)                 | (109)           | 2,055         | 1,976         |
| <b>Total expenses</b>                        | <b>6,347</b>            | <b>6,665</b> | <b>(12,520)</b>       | <b>(12,479)</b> | <b>42,126</b> | <b>43,084</b> |
| Net surplus of TEs                           | -                       | -            | -                     | -               | 102           | 102           |
| Minority interest                            | -                       | -            | -                     | -               | -             | -             |
| <b>Operating balance</b>                     | <b>841</b>              | <b>601</b>   | <b>(344)</b>          | <b>(338)</b>    | <b>7,952</b>  | <b>6,210</b>  |

## Statement of Financial Position (institutional form)

as at 31 March 2005 (actual to forecast)

| (\$ million)                                       | State-owned enterprises |               | Inter-segment elimins |                 | Total Crown    |                |
|--|-------------------------|---------------|-----------------------|-----------------|----------------|----------------|
|  | Actual                  | Forecast      | Actual                | Forecast        | Actual         | Forecast       |
|  | March                   | March         | March                 | March           | March          | March          |
|  | 2004/05                 | 2004/05       | 2004/05               | 2004/05         | 2004/05        | 2004/05        |
|  | \$m                     | \$m           | \$m                   | \$m             | \$m            | \$m            |
| <b>Assets</b>                                      |                         |               |                       |                 |                |                |
| Financial assets                                   | 3,394                   | 3,209         | (7,336)               | (7,484)         | 41,899         | 39,640         |
| Physical assets                                    | 11,588                  | 11,246        | -                     | -               | 59,707         | 59,600         |
| Investment in SOEs & CE (including TEs)            | -                       | -             | (23,500)              | (23,362)        | 4,482          | 4,482          |
| Other assets                                       | 2,071                   | 2,268         | (358)                 | (740)           | 13,943         | 13,184         |
| <b>Total assets</b>                                | <b>17,053</b>           | <b>16,723</b> | <b>(31,194)</b>       | <b>(31,586)</b> | <b>120,031</b> | <b>116,906</b> |
| <b>Liabilities</b>                                 |                         |               |                       |                 |                |                |
| Borrowings   | 5,721                   | 6,416         | (7,336)               | (7,484)         | 35,355         | 35,897         |
| Other liabilities                                  | 2,943                   | 2,754         | (893)                 | (879)           | 40,659         | 39,336         |
| <b>Total liabilities</b>                           | <b>8,664</b>            | <b>9,170</b>  | <b>(8,229)</b>        | <b>(8,363)</b>  | <b>76,014</b>  | <b>75,233</b>  |
| <b>Net worth</b>                                   | <b>8,389</b>            | <b>7,553</b>  | <b>(22,965)</b>       | <b>(23,223)</b> | <b>44,017</b>  | <b>41,673</b>  |
| Taxpayer funds                                     | 6,332                   | 6,096         | (22,965)              | (23,223)        | 23,597         | 21,832         |
| Revaluation reserves                               | 2,057                   | 1,457         | -                     | -               | 20,420         | 19,841         |
| <b>Net worth</b>                                   | <b>8,389</b>            | <b>7,553</b>  | <b>(22,965)</b>       | <b>(23,223)</b> | <b>44,017</b>  | <b>41,673</b>  |
| <b>Analysis of financial assets and borrowings</b> |                         |               |                       |                 |                |                |
| Advances and cash                                  | 2,817                   | 2,820         | (2,100)               | (2,181)         | 12,059         | 11,993         |
| MSDs and equity investments                        | 577                     | 389           | (5,236)               | (5,303)         | 29,840         | 27,647         |
| <b>Total financial assets</b>                      | <b>3,394</b>            | <b>3,209</b>  | <b>(7,336)</b>        | <b>(7,484)</b>  | <b>41,899</b>  | <b>39,640</b>  |
| Borrowings - Sovereign guaranteed                  | -                       | -             | (5,218)               | (5,102)         | 27,917         | 28,051         |
| Borrowings - Non-sovereign guaranteed              | 5,721                   | 6,416         | (2,118)               | (2,382)         | 7,438          | 7,846          |
| <b>Total borrowings</b>                            | <b>5,721</b>            | <b>6,416</b>  | <b>(7,336)</b>        | <b>(7,484)</b>  | <b>35,355</b>  | <b>35,897</b>  |
| <b>Borrowings less financial assets</b>            | <b>2,327</b>            | <b>3,207</b>  | <b>-</b>              | <b>-</b>        | <b>(6,544)</b> | <b>(3,743)</b> |

# 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 2005 (compared to actual 30 June 2004)

|  | Prior Year Actual vs Current Year Forecast |                         |
|--|--|-------------------------|
|  | Core Crown                                 | Crown entities          |
|  | Actual<br>2004<br>\$m                      | Forecast<br>2005<br>\$m |
| (\$ million)                                 |  |                         |
| <b>Revenue</b>                               |  |                         |
| Taxation revenue                             | 43,008                                     | 46,121                  |
| Other sovereign levied income                | 611  | 633                     |
| Sales of goods and services                  | 736  | 730                     |
| Investment income                            | 1,999                                      | 2,362                   |
| Other revenues                               | 578  | 735                     |
| <b>Total revenue</b>                         | <b>46,932</b>                              | <b>50,581</b>           |
| <b>Expenses by input type</b>                |  |                         |
| Subsidies and transfer payments              | 14,058                                     | 14,443                  |
| Personnel expenses                           | 4,315                                      | 4,780                   |
| Operating expenses                           | 21,291                                     | 23,844                  |
| Finance costs                                | 2,252                                      | 2,240                   |
| FX losses/(gains)                            | 7  | 1                       |
| GSF and ACC liability movements              | (315)                                      | 443                     |
| <b>Total expenses</b>                        | <b>41,608</b>                              | <b>45,751</b>           |
| <b>Expenses by functional classification</b> |  |                         |
| Social security and welfare                  | 14,252                                     | 14,691                  |
| Health                                       | 8,111                                      | 8,819                   |
| Education                                    | 7,585                                      | 8,232                   |
| Other functional classifications             | 9,401                                      | 11,307                  |
| Forecast for future new spending             | -  | 461                     |
| Finance costs and FX losses/(gains)          | 2,259                                      | 2,241                   |
| <b>Total expenses</b>                        | <b>41,608</b>                              | <b>45,751</b>           |
| Net surplus of TEs                           | -  | -                       |
| Minority interest                            | -  | -                       |
| <b>Operating balance</b>                     | <b>5,324</b>                               | <b>4,830</b>            |

### Forecast Statement of Financial Position (institutional form) as at 30 June 2005 (compared to actual 30 June 2004)

|  | Core Crown            | Crown entities          |
|--|-----------------------|-------------------------|
|  | Actual<br>2004<br>\$m | Forecast<br>2005<br>\$m |
| (\$ million)                                       |                       |                         |
| <b>Assets</b>                                      |                       |                         |
| Financial assets                                   | 26,752                | 29,529                  |
| Physical assets                                    | 18,675                | 19,232                  |
| Investment in SOEs & CE (including TEs)            | 23,162                | 23,857                  |
| Other assets                                       | 9,088                 | 8,122                   |
| <b>Total assets</b>                                | <b>77,677</b>         | <b>80,740</b>           |
| <b>Liabilities</b>                                 |                       |                         |
| Borrowings   | 34,719                | 32,873                  |
| Other liabilities                                  | 23,489                | 23,565                  |
| <b>Total liabilities</b>                           | <b>58,208</b>         | <b>56,438</b>           |
| <b>Net worth</b>                                   | <b>19,469</b>         | <b>24,302</b>           |
| Taxpayer Funds                                     | 13,626                | 18,459                  |
| Revaluation reserves                               | 5,843                 | 5,843                   |
| Minority interest                                  | -                     | -                       |
| <b>Net worth</b>                                   | <b>19,469</b>         | <b>24,302</b>           |
| <b>Analysis of financial assets and borrowings</b> |                       |                         |
| Advances and cash                                  | 8,919                 | 9,156                   |
| MSDs and equity investments                        | 17,833                | 20,373                  |
| <b>Total financial assets</b>                      | <b>26,752</b>         | <b>29,529</b>           |
| Borrowings - Sovereign guaranteed                  | 34,719                | 32,873                  |
| Borrowings - Non-sovereign guaranteed              | -                     | -                       |
| <b>Total borrowings</b>                            | <b>34,719</b>         | <b>32,873</b>           |
| <b>Borrowings less financial assets</b>            | <b>7,967</b>          | <b>3,344</b>            |
| <b>Net Crown debt</b>                              | <b>15,204</b>         | <b>13,065</b>           |
| <b>Gross sovereign-issued debt</b>                 | <b>35,527</b>         | <b>33,846</b>           |

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 2005 (compared to actual 30 June 2004)

|  | Prior Year Actual vs Current Year Forecast |              |                       |                 |               |               |
|--|--|--------------|-----------------------|-----------------|---------------|---------------|
|  | State-owned enterprises                    |              | Inter-segment elimins |                 | Total Crown   |               |
|  | Actual                                     | Forecast     | Actual                | Forecast        | Actual        | Forecast      |
| (\$ million)                                 | 2004                                       | 2005         | 2004                  | 2005            | 2004          | 2005          |
|  | \$m  | \$m          | \$m                   | \$m             | \$m           | \$m           |
| <b>Revenue</b>                               |  |              |                       |                 |               |               |
| Taxation revenue                             | -  | -            | (476)                 | (452)           | 42,532        | 45,669        |
| Other sovereign levied income                | -  | -            | (40)                  | (47)            | 2,986         | 3,002         |
| Sales of goods and services                  | 8,209                                      | 9,167        | (445)                 | (436)           | 10,200        | 11,158        |
| Investment income                            | 132  | 163          | (462)                 | (603)           | 2,653         | 2,793         |
| Other revenues                               | 616  | 664          | (15,251)              | (15,956)        | 2,016         | 2,021         |
| <b>Total revenue</b>                         | <b>8,957</b>                               | <b>9,994</b> | <b>(16,674)</b>       | <b>(17,494)</b> | <b>60,387</b> | <b>64,643</b> |
| <b>Expenses by input type</b>                |  |              |                       |                 |               |               |
| Subsidies and transfer payments              | -  | -            | -                     | -               | 15,466        | 15,986        |
| Personnel expenses                           | 1,624                                      | 1,768        | (4)                   | (5)             | 12,501        | 13,444        |
| Operating expenses                           | 6,377                                      | 7,145        | (16,206)              | (16,897)        | 22,662        | 25,767        |
| Finance costs                                | 298  | 362          | (183)                 | (156)           | 2,602         | 2,703         |
| FX losses/(gains)                            | (59)                                       | (66)         | -                     | -               | (29)          | (89)          |
| GSF and ACC liability revaluation movts      | -  | -            | -                     | -               | (145)         | 1,344         |
| <b>Total expenses</b>                        | <b>8,240</b>                               | <b>9,209</b> | <b>(16,393)</b>       | <b>(17,058)</b> | <b>53,057</b> | <b>59,155</b> |
| <b>Expenses by functional classification</b> |  |              |                       |                 |               |               |
| Social security and welfare                  | -  | -            | (413)                 | (431)           | 16,038        | 17,389        |
| Health                                       | -  | -            | (7,101)               | (7,468)         | 7,623         | 8,543         |
| Education                                    | -  | -            | (5,411)               | (5,467)         | 8,349         | 8,786         |
| Other functional classifications             | 8,001                                      | 8,913        | (3,285)               | (3,536)         | 18,474        | 21,362        |
| Forecast for future new spending             | -  | -            | -                     | -               | -             | 461           |
| Finance costs and FX losses/(gains)          | 239  | 296          | (183)                 | (156)           | 2,573         | 2,614         |
| <b>Total expenses</b>                        | <b>8,240</b>                               | <b>9,209</b> | <b>(16,393)</b>       | <b>(17,058)</b> | <b>53,057</b> | <b>59,155</b> |
| Net surplus of TEIs                          | -  | -            | -                     | -               | 139           | 139           |
| Minority interest                            | (45)                                       | -            | -                     | -               | (45)          | -             |
| <b>Operating balance</b>                     | <b>672</b>                                 | <b>785</b>   | <b>(281)</b>          | <b>(436)</b>    | <b>7,424</b>  | <b>5,627</b>  |

### Forecast Statement of Financial Position (institutional form) as at 30 June 2005 (compared to actual 30 June 2004)

|  | State-owned enterprises |               | Inter-segment elimins |                 | Total Crown    |                |
|--|-------------------------|---------------|-----------------------|-----------------|----------------|----------------|
|  | Actual                  | Forecast      | Actual                | Forecast        | Actual         | Forecast       |
| (\$ million)                                       | 2004                    | 2005          | 2004                  | 2005            | 2004           | 2005           |
|  | \$m                     | \$m           | \$m                   | \$m             | \$m            | \$m            |
| <b>Assets</b>                                      |                         |               |                       |                 |                |                |
| Financial assets                                   | 2,750                   | 3,445         | (7,088)               | (7,615)         | 35,531         | 39,166         |
| Physical assets                                    | 10,381                  | 11,494        | -                     | -               | 57,940         | 60,376         |
| Investment in SOEs & CE (including TEIs)           | -                       | -             | (23,162)              | (23,857)        | 4,367          | 4,532          |
| Other assets                                       | 2,147                   | 2,459         | (990)                 | (308)           | 12,834         | 12,780         |
| <b>Total assets</b>                                | <b>15,278</b>           | <b>17,398</b> | <b>(31,240)</b>       | <b>(31,780)</b> | <b>110,672</b> | <b>116,854</b> |
| <b>Liabilities</b>                                 |                         |               |                       |                 |                |                |
| Borrowings   | 5,437                   | 6,881         | (7,088)               | (7,615)         | 36,825         | 36,093         |
| Other liabilities                                  | 2,830                   | 2,779         | (1,474)               | (749)           | 38,384         | 39,652         |
| <b>Total liabilities</b>                           | <b>8,267</b>            | <b>9,660</b>  | <b>(8,562)</b>        | <b>(8,364)</b>  | <b>75,209</b>  | <b>75,745</b>  |
| <b>Net worth</b>                                   | <b>7,011</b>            | <b>7,738</b>  | <b>(22,678)</b>       | <b>(23,416)</b> | <b>35,463</b>  | <b>41,109</b>  |
| Taxpayer Funds                                     | 5,412                   | 6,265         | (22,678)              | (23,416)        | 15,486         | 21,252         |
| Revaluation reserves                               | 1,460                   | 1,473         | -                     | -               | 19,838         | 19,857         |
| Minority interest                                  | 139                     | -             | -                     | -               | 139            | -              |
| <b>Net worth</b>                                   | <b>7,011</b>            | <b>7,738</b>  | <b>(22,678)</b>       | <b>(23,416)</b> | <b>35,463</b>  | <b>41,109</b>  |
| <b>Analysis of financial assets and borrowings</b> |                         |               |                       |                 |                |                |
| Advances and cash                                  | 2,305                   | 1,589         | (2,123)               | (764)           | 10,895         | 11,622         |
| MSDs and equity investments                        | 445                     | 1,856         | (4,965)               | (6,851)         | 24,636         | 27,544         |
| <b>Total financial assets</b>                      | <b>2,750</b>            | <b>3,445</b>  | <b>(7,088)</b>        | <b>(7,615)</b>  | <b>35,531</b>  | <b>39,166</b>  |
| Borrowings - Sovereign guaranteed                  | -                       | -             | (4,761)               | (5,173)         | 29,958         | 27,700         |
| Borrowings - Non-sovereign guaranteed              | 5,437                   | 6,881         | (2,327)               | (2,442)         | 6,867          | 8,393          |
| <b>Total borrowings</b>                            | <b>5,437</b>            | <b>6,881</b>  | <b>(7,088)</b>        | <b>(7,615)</b>  | <b>36,825</b>  | <b>36,093</b>  |
| <b>Borrowings less financial assets</b>            | <b>2,687</b>            | <b>3,436</b>  | <b>-</b>              | <b>-</b>        | <b>1,294</b>   | <b>(3,073)</b> |

# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m                              | Actual<br>31<br>March<br>2004<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast |
|--|--------------------------------------|--|---------------------------------|-----------------|-----------------|--------------|--------------------|
|  |                                      |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | \$m                |
| <b>NOTE 1: Revenue Collected Through the Crown's Sovereign Power</b> |                                      |  |                                 |                 |                 |              |                    |
| <b>Income Tax Revenue (accrual)</b>                                  |                                      |  |                                 |                 |                 |              |                    |
| <b>Individuals</b>   |                                      |  |                                 |                 |                 |              |                    |
| 16,908   | 12,614                               | Source deductions                          | 13,504                          | 13,476          | 28              | 0.2          | 18,175             |
| 4,027  | 3,600                                | Other persons                              | 3,614                           | 3,559           | 55              | 1.5          | 4,014              |
| (860)  | (562)                                | Refunds                                    | (599)                           | (571)           | (28)            | (4.9)        | (871)              |
| 410  | 302                                  | Fringe benefit tax                         | 335                             | 334             | 1               | 0.3          | 442                |
| <b>20,485</b>  | <b>15,954</b>                        | <b>Total Individuals</b>                   | <b>16,854</b>                   | <b>16,798</b>   | <b>56</b>       | <b>0.3</b>   | <b>21,760</b>      |
| <b>Corporate Tax</b>   |                                      |  |                                 |                 |                 |              |                    |
| 6,099  | 4,886                                | Gross companies tax                        | 5,772                           | 5,679           | 93              | 1.6          | 6,907              |
| (180)  | (93)                                 | Refunds                                    | (104)                           | (122)           | 18              | 15           | (203)              |
| 800  | 593                                  | Non-resident withholding tax               | 685                             | 686             | (1)             | (0.1)        | 893                |
| 139  | 86                                   | Foreign-source dividend w/holding payments | 110                             | 77              | 33              | 42.9         | 133                |
| <b>6,858</b>   | <b>5,472</b>                         | <b>Total Corporate Tax</b>                 | <b>6,463</b>                    | <b>6,320</b>    | <b>143</b>      | <b>2.3</b>   | <b>7,730</b>       |
| <b>Other Income Tax</b>  |                                      |  |                                 |                 |                 |              |                    |
| 1,188  | 863                                  | Resident w/holding tax on interest income  | 1,048                           | 1,005           | 43              | 4.3          | 1,369              |
| 49   | 39                                   | Resident w/holding tax on dividend income  | 46                              | 46              | -               | -            | 61                 |
| 2  | 2                                    | Estate and gift duties                     | 2                               | 2               | -               | -            | 2                  |
| <b>1,239</b>   | <b>904</b>                           | <b>Total Other Income Tax</b>              | <b>1,096</b>                    | <b>1,053</b>    | <b>43</b>       | <b>4.1</b>   | <b>1,432</b>       |
| <b>28,582</b>  | <b>22,330</b>                        | <b>Total Income Tax</b>                    | <b>24,413</b>                   | <b>24,171</b>   | <b>242</b>      | <b>1.0</b>   | <b>30,922</b>      |
| <b>Goods and Services Tax</b>  |                                      |  |                                 |                 |                 |              |                    |
| 16,603   | 12,223                               | Gross goods and services tax               | 12,879                          | 12,943          | (64)            | (0.5)        | 17,481             |
| (6,885)  | (5,186)                              | Refunds                                    | (5,305)                         | (5,350)         | 45              | 0.8          | (7,150)            |
| <b>9,718</b>   | <b>7,037</b>                         | <b>Total Goods and Services Tax</b>        | <b>7,574</b>                    | <b>7,593</b>    | <b>(19)</b>     | <b>(0.3)</b> | <b>10,331</b>      |
| <b>Other Taxation</b>  |                                      |  |                                 |                 |                 |              |                    |
| 947  | 710                                  | Petroleum fuels excise                     | 601                             | 597             | 4               | 0.7          | 790                |
| 819  | 629                                  | Tobacco excise                             | 630                             | 632             | (2)             | (0.3)        | 828                |
| 720  | 538                                  | Customs duty                               | 687                             | 716             | (29)            | (4.1)        | 974                |
| 667  | 501                                  | Road user charges                          | 537                             | 517             | 20              | 3.9          | 720                |
| 476  | 364                                  | Alcohol excise                             | 374                             | 378             | (4)             | (1.1)        | 484                |
| 261  | 193                                  | Gaming duties                              | 215                             | 210             | 5               | 2.4          | 281                |
| 211  | 154                                  | Motor vehicle fees                         | 162                             | 165             | (3)             | (1.8)        | 216                |
| 75   | 53                                   | Energy resources levies                    | 54                              | 50              | 4               | 8.0          | 65                 |
| 56   | 41                                   | Approved issuer levy and cheque duty       | 46                              | 40              | 6               | 15.0         | 58                 |
| <b>4,232</b>   | <b>3,183</b>                         | <b>Total Other Indirect Taxation</b>       | <b>3,306</b>                    | <b>3,305</b>    | <b>1</b>        | <b>-</b>     | <b>4,416</b>       |
| <b>13,950</b>  | <b>10,220</b>                        | <b>Total Indirect Taxation</b>             | <b>10,880</b>                   | <b>10,898</b>   | <b>(18)</b>     | <b>(0.2)</b> | <b>14,747</b>      |
| <b>42,532</b>  | <b>32,550</b>                        | <b>Total Tax Revenue Collected</b>         | <b>35,293</b>                   | <b>35,069</b>   | <b>224</b>      | <b>0.6</b>   | <b>45,669</b>      |
| <b>Other Sovereign Revenues (accrual)</b>                            |                                      |  |                                 |                 |                 |              |                    |
| 1,989  | 1,504                                | ACC levies                                 | 1,530                           | 1,478           | 52              | 3.5          | 1,981              |
| 233  | 182                                  | Fire Service levies                        | 191                             | 178             | 13              | 7.3          | 235                |
| 78   | 59                                   | EQC levies                                 | 60                              | 60              | -               | -            | 80                 |
| 686  | 515                                  | Other miscellaneous items                  | 540                             | 537             | 3               | 0.6          | 706                |
| <b>2,986</b>   | <b>2,260</b>                         | <b>Total Other Sovereign Revenues</b>      | <b>2,321</b>                    | <b>2,253</b>    | <b>68</b>       | <b>3.0</b>   | <b>3,002</b>       |
| <b>45,518</b>  | <b>34,810</b>                        | <b>Total Sovereign Revenue</b>             | <b>37,614</b>                   | <b>37,322</b>   | <b>292</b>      | <b>0.8</b>   | <b>48,671</b>      |

# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m                               | Actual<br>31<br>March<br>2004<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast |
|---|--------------------------------------|--|---------------------------------|-----------------|-----------------|--------------|--------------------|
|   |                                      |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | \$m                |
| <b>NOTE 1: Receipts Collected Through the Crown's Sovereign Power</b> |                                      |  |                                 |                 |                 |              |                    |
| <b>Income Tax Receipts (cash)</b>                                     |                                      |  |                                 |                 |                 |              |                    |
| <b>Individuals</b>  |                                      |  |                                 |                 |                 |              |                    |
| 17,012  | 12,561                               | Source deductions                          | 13,516                          | 13,492          | 24              | 0.2          | 18,175             |
| 4,352   | 3,361                                | Other persons                              | 3,515                           | 3,447           | 68              | 2.0          | 4,521              |
| (1,406)   | (1,017)                              | Refunds                                    | (992)                           | (959)           | (33)            | (3.4)        | (1,330)            |
| 410   | 305                                  | Fringe benefit tax                         | 317                             | 323             | (6)             | (1.9)        | 435                |
| <b>20,368</b>   | <b>15,210</b>                        | <b>Total Individuals</b>                   | <b>16,356</b>                   | <b>16,303</b>   | <b>53</b>       | <b>0.3</b>   | <b>21,801</b>      |
| <b>Corporate Tax</b>  |                                      |  |                                 |                 |                 |              |                    |
| 7,169   | 5,643                                | Gross companies tax                        | 6,392                           | 6,317           | 75              | 1.2          | 7,730              |
| (1,088)   | (688)                                | Refunds                                    | (505)                           | (590)           | 85              | 14           | (939)              |
| 776   | 639                                  | Non-resident withholding tax               | 750                             | 723             | 27              | 3.7          | 882                |
| 128   | 89                                   | Foreign-source dividend w/holding payments | 150                             | 93              | 57              | 61.3         | 130                |
| <b>6,985</b>  | <b>5,683</b>                         | <b>Total Corporate Tax</b>                 | <b>6,787</b>                    | <b>6,543</b>    | <b>244</b>      | <b>3.7</b>   | <b>7,803</b>       |
| <b>Other Income Tax</b>   |                                      |  |                                 |                 |                 |              |                    |
| 1,217   | 869                                  | Resident w/holding tax on interest income  | 1,051                           | 982             | 69              | 7.0          | 1,359              |
| 53  | 41                                   | Resident w/holding tax on dividend income  | 49                              | 50              | (1)             | (2.0)        | 61                 |
| 2   | 1                                    | Estate and gift duties                     | 1                               | 1               | -               | -            | 2                  |
| <b>1,272</b>  | <b>911</b>                           | <b>Total Other Income Tax</b>              | <b>1,101</b>                    | <b>1,033</b>    | <b>68</b>       | <b>6.6</b>   | <b>1,422</b>       |
| <b>28,625</b>   | <b>21,804</b>                        | <b>Total Income Tax</b>                    | <b>24,244</b>                   | <b>23,879</b>   | <b>365</b>      | <b>1.5</b>   | <b>31,026</b>      |
| <b>Goods and Services Tax</b>   |                                      |  |                                 |                 |                 |              |                    |
| 15,768  | 11,481                               | Gross goods and services tax               | 12,118                          | 12,329          | (211)           | (1.7)        | 16,893             |
| (6,313)   | (4,719)                              | Refunds                                    | (4,965)                         | (4,971)         | 6               | 0.1          | (6,656)            |
| <b>9,455</b>  | <b>6,762</b>                         | <b>Total Goods and Services Tax</b>        | <b>7,153</b>                    | <b>7,358</b>    | <b>(205)</b>    | <b>(2.8)</b> | <b>10,237</b>      |
| <b>Other Taxation</b>   |                                      |  |                                 |                 |                 |              |                    |
| 944   | 733                                  | Petroleum fuels excise                     | 590                             | 591             | (1)             | (0.2)        | 791                |
| 800   | 604                                  | Tobacco excise                             | 628                             | 628             | -               | -            | 828                |
| 726   | 573                                  | Customs duty                               | 708                             | 738             | (30)            | (4.1)        | 984                |
| 668   | 501                                  | Road user charges                          | 538                             | 518             | 20              | 3.9          | 720                |
| 476   | 351                                  | Alcohol excise                             | 357                             | 357             | -               | -            | 484                |
| 260   | 193                                  | Gaming duties                              | 212                             | 209             | 3               | 1.4          | 279                |
| 223   | 172                                  | Motor vehicle fees                         | 143                             | 171             | (28)            | (16.4)       | 216                |
| 75  | 52                                   | Energy resources levies                    | 55                              | 53              | 2               | 3.8          | 68                 |
| 56  | 38                                   | Approved issuer levy and cheque duty       | 46                              | 40              | 6               | 15.0         | 58                 |
| <b>4,228</b>  | <b>3,217</b>                         | <b>Total Other Indirect Taxation</b>       | <b>3,277</b>                    | <b>3,305</b>    | <b>(28)</b>     | <b>(0.8)</b> | <b>4,428</b>       |
| <b>13,683</b>   | <b>9,979</b>                         | <b>Total Indirect Taxation</b>             | <b>10,430</b>                   | <b>10,663</b>   | <b>(233)</b>    | <b>(2.2)</b> | <b>14,665</b>      |
| <b>42,308</b>   | <b>31,783</b>                        | <b>Total Tax Receipts Collected</b>        | <b>34,674</b>                   | <b>34,542</b>   | <b>132</b>      | <b>0.4</b>   | <b>45,691</b>      |
| <b>Other Sovereign Receipts (cash)</b>                                |                                      |  |                                 |                 |                 |              |                    |
| 2,008   | 1,620                                | ACC levies                                 | 1,675                           | 1,554           | 121             | 7.8          | 1,969              |
| 233   | 181                                  | Fire Service levies                        | 191                             | 178             | 13              | 7.3          | 235                |
| 79  | 60                                   | EQC levies                                 | 61                              | 60              | 1               | 1.7          | 81                 |
| 532   | 402                                  | Other miscellaneous items                  | 437                             | 536             | (99)            | (18.5)       | 669                |
| <b>2,852</b>  | <b>2,263</b>                         | <b>Total Other Sovereign Receipts</b>      | <b>2,364</b>                    | <b>2,328</b>    | <b>36</b>       | <b>1.5</b>   | <b>2,954</b>       |
| <b>45,160</b>   | <b>34,046</b>                        | <b>Total Sovereign Receipts</b>            | <b>37,038</b>                   | <b>36,870</b>   | <b>168</b>      | <b>0.5</b>   | <b>48,645</b>      |

## NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m | Current Year Actual vs Forecast |                 |                 |   | Annual<br>Forecast |
|---|--------------------------------------|---------------------------------|-----------------|-----------------|---|--------------------|
|   |                                      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$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                       |       |       |      |        |       |
|-------|-------|---|-------|-------|------|--------|-------|
| 1,428 | 992   | Interest income                         | 1,527 | 1,296 | 231  | 17.8   | 1,769 |
| 447   | 277   | Student loans                           | 364   | 369   | (5)  | (1.4)  | 503   |
| 76    | 49    | Dividends                               | 47    | 70    | (23) | (32.9) | 69    |
|       |       | Gains/(losses) on marketable securities |       |       |      |        |       |
| 701   | 726   | deposits and equity investments         | 558   | 334   | 224  | 67.1   | 451   |
| 1     | 18    | Other                                   | 9     | -     | 9    | -      | 1     |
| 2,653 | 2,062 | Total Investment Income                 | 2,505 | 2,069 | 436  | 21.1   | 2,793 |

### NOTE 4: Other Revenue

|              |              |  |              |              |            |             |              |
|--------------|--------------|--|--------------|--------------|------------|-------------|--------------|
| (40)         | -            | Unrealised gains arising from changes in the value of commercial forests | -            | -            | -          | -           | -            |
| 110          | 81           | GSF contributions  | 78           | 68           | 10         | 14.7        | 92           |
| 18           | 29           | Petroleum royalties  | 41           | 17           | 24         | 141.2       | 29           |
| 22           | -            | Cost recovery income from fisheries                                      | 22           | 24           | (2)        | (8.3)       | 31           |
| 1,906        | 1,303        | Other  | 1,679        | 1,517        | 162        | 10.7        | 1,869        |
| <b>2,016</b> | <b>1,413</b> | <b>Total Other Operational Revenue</b>                                   | <b>1,820</b> | <b>1,626</b> | <b>194</b> | <b>11.9</b> | <b>2,021</b> |



# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m        | Actual<br>31<br>March<br>2004<br>\$m |  | Current Year Actual vs Forecast |                 |                 |            | Annual<br>Forecast |
|--|--------------------------------------|--|---------------------------------|-----------------|-----------------|------------|--------------------|
|  |                                      |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          | \$m                |
| <b>NOTE 5: Subsidies and Transfer Payments</b> |                                      |  |                                 |                 |                 |            |                    |
|  |                                      | Social Assistance Grants                     |                                 |                 |                 |            |                    |
| 5,889  | 4,397                                | New Zealand superannuation                   | 4,520                           | 4,522           | 2               | -          | 6,082              |
| 1,407  | 1,052                                | ACC payments                                 | 1,122                           | 1,137           | 15              | 1.3        | 1,543              |
| 1,569  | 1,169                                | Domestic purposes benefit                    | 1,175                           | 1,182           | 7               | 0.6        | 1,564              |
| 1,084  | 859                                  | Unemployment benefit                         | 653                             | 663             | 10              | 1.5        | 851                |
| 833  | 609                                  | Family support                               | 541                             | 589             | 48              | 8.1        | 911                |
| 380  | 259                                  | Student allowances                           | 248                             | 259             | 11              | 4.2        | 389                |
| 3,931  | 2,891                                | Other social assistance grants               | 3,112                           | 3,109           | (3)             | (0.1)      | 4,201              |
| 110  | 81                                   | Subsidies                                    | 88                              | 110             | 22              | 20.0       | 144                |
|  |                                      | Other Transfer Payments                      |                                 |                 |                 |            |                    |
| 238  | 174                                  | Official development assistance              | 211                             | 228             | 17              | 7.5        | 264                |
| 25   | 24                                   | Other  | 27                              | 36              | 9               | 25.0       | 37                 |
| <b>15,466</b>                                  | <b>11,515</b>                        | <b>Total Subsidies and Transfer Payments</b> | <b>11,697</b>                   | <b>11,835</b>   | <b>138</b>      | <b>1.2</b> | <b>15,986</b>      |

## 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).

|               |              |                                 |              |               |            |            |               |
|---------------|--------------|---------------------------------|--------------|---------------|------------|------------|---------------|
| 975           | 718          | GSF pension costs               | 789          | 826           | 37         | 4.5        | 1,015         |
| 90            | 64           | Other pension expenses          | 80           | 75            | (5)        | (6.7)      | 106           |
| 11,436        | 8,263        | Other personnel expenses        | 9,076        | 9,294         | 218        | 2.3        | 12,323        |
| <b>12,501</b> | <b>9,045</b> | <b>Total Personnel Expenses</b> | <b>9,945</b> | <b>10,195</b> | <b>250</b> | <b>2.5</b> | <b>13,444</b> |

## 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:                 |               |               |            |            |               |
| 749           | 539           | Buildings                              | 594           | 606           | 12         | 2.0        | 825           |
| 103           | 87            | Electricity distribution networks      | 78            | 76            | (2)        | (2.6)      | 101           |
| 146           | 111           | Electricity generation assets          | 117           | 132           | 15         | 11.4       | 183           |
| 180           | 133           | Specialist military equipment (SME)    | 139           | 139           | -          | -          | 186           |
| 219           | 158           | State highways                         | 175           | 175           | -          | -          | 233           |
| 91            | 155           | Aircraft (excluding SME)               | 133           | 136           | 3          | 2.2        | 116           |
| 789           | 480           | Other plant and equipment              | 565           | 608           | 43         | 7.1        | 886           |
| 70            | 71            | Other assets                           | 40            | 45            | 5          | 11.1       | 66            |
| <b>2,347</b>  | <b>1,734</b>  | <b>Total depreciation costs</b>        | <b>1,841</b>  | <b>1,917</b>  | <b>76</b>  | <b>4.0</b> | <b>2,596</b>  |
|               |               | Other operating expenses:              |               |               |            |            |               |
| 775           | 523           | Rental and leasing costs               | 529           | 524           | (5)        | (1.0)      | 722           |
| 459           | 181           | Change in provision for doubtful debts | 240           | 224           | (16)       | (7.1)      | 528           |
| 84            | 54            | Write off of bad debts                 | 57            | 51            | (6)        | (11.8)     | 69            |
| 78            | 35            | Goodwill amortised                     | 69            | 69            | -          | -          | 93            |
| 309           | 209           | Grants paid                            | 252           | 226           | (26)       | (11.5)     | 326           |
| 347           | 265           | Lottery prize payments                 | 255           | 250           | (5)        | (2.0)      | 337           |
| (15)          | -             | Loss/(gain) on sale of assets          | -             | -             | -          | -          | -             |
| 18,278        | 13,316        | Other operating expenses               | 14,075        | 14,706        | 631        | 4.3        | 20,635        |
| <b>22,662</b> | <b>16,317</b> | <b>Total Operating Expenses</b>        | <b>17,318</b> | <b>17,967</b> | <b>649</b> | <b>3.6</b> | <b>25,306</b> |

# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m | Current Year Actual vs Forecast |                 |                 |   | Annual<br>Forecast<br>\$m |
|---|--------------------------------------|---------------------------------|-----------------|-----------------|---|---------------------------|
|   |                                      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | % |                           |

## NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments

### By category:

|               |               |   |               |               |              |            |               |
|---------------|---------------|---|---------------|---------------|--------------|------------|---------------|
| 3,450         | 2,762         | <b>Total cash</b>                             | 3,457         | 3,237         | 220          | 6.8        | 2,577         |
| 15,178        | 20,318        | Marketable securities and deposits            | 18,741        | 16,353        | 2,388        | 14.6       | 16,287        |
| 8,446         | 5,585         | Equity investments (eg, shares)               | 10,305        | 10,471        | (166)        | (1.6)      | 10,432        |
| 1,012         | 971           | Reserve position at the IMF                   | 794           | 823           | (29)         | (3.5)      | 825           |
| <b>24,636</b> | <b>26,874</b> | <b>Total MSDs and Equity Investments</b>      | <b>29,840</b> | <b>27,647</b> | <b>2,193</b> | <b>7.9</b> | <b>27,544</b> |
| <b>28,086</b> | <b>29,636</b> | <b>Cash and MSDs &amp; Equity Investments</b> | <b>33,297</b> | <b>30,884</b> | <b>2,413</b> | <b>7.8</b> | <b>30,121</b> |

### By portfolio management:

|               |               |  |               |               |              |            |               |
|---------------|---------------|--|---------------|---------------|--------------|------------|---------------|
| 11,313        | 14,708        | Reserve Bank and DMO managed funds         | 13,373        | 12,184        | 1,189        | 9.8        | 11,592        |
| 3,410         | 2,350         | NZS Fund                                   | 5,055         | 5,201         | (146)        | (2.8)      | 5,711         |
| 3,019         | 3,000         | Government Superannuation Fund             | 3,275         | 3,052         | 223          | 7.3        | 3,037         |
| 1,589         | 1,514         | EQC portfolio                              | 1,554         | 1,676         | (122)        | (7.3)      | 4,768         |
| 4,276         | 4,095         | ACC portfolio                              | 5,171         | 4,726         | 445          | 9.4        | 1,705         |
| 1,029         | 1,207         | Other holdings                             | 1,412         | 808           | 604          | 74.8       | 731           |
| <b>24,636</b> | <b>26,874</b> | <b>Total MSDs &amp; Equity Investments</b> | <b>29,840</b> | <b>27,647</b> | <b>2,193</b> | <b>7.9</b> | <b>27,544</b> |

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 \$5.8 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 \$3.4 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 \$10.0 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)

|       |       |                                      |       |       |       |       |       |
|-------|-------|--------------------------------------|-------|-------|-------|-------|-------|
| 3,956 | 3,346 | NZS Fund                             | 5,730 | 5,720 | 10    | 0.2   | 6,346 |
| 3,375 | 3,342 | GSF net assets (including portfolio) | 3,435 | 3,385 | 50    | 1.5   | 3,375 |
| 6,176 | 5,924 | ACC portfolio                        | 7,400 | 6,826 | 574   | 8.4   | 6,886 |
| 4,367 | 4,259 | EQC portfolio                        | 4,453 | 4,609 | (156) | (3.4) | 4,684 |

# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m |   | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast |
|---|--------------------------------------|---|---------------------------------|-----------------|-----------------|---------------|--------------------|
|   |                                      |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             | \$m                |
| <b>NOTE 9: Advances</b>                 |                                      |   |                                 |                 |                 |               |                    |
| 5,995                                   | 6,066                                | Student loans (see analysis below)  | 6,640                           | 6,687           | (47)            | (0.7)         | 6,618              |
| 1,038                                   | 903                                  | Kiwbank mortgages   | 1,400                           | 1,538           | (138)           | (9.0)         | 1,851              |
| 72                                      | 72                                   | Residential care loans  | 75                              | 75              | -               | -             | 77                 |
| 48                                      | 48                                   | Maori development rural lending   | 49                              | 51              | (2)             | (3.9)         | 48                 |
| 25                                      | 27                                   | Forestry encouragement loans  | 25                              | 24              | 1               | 4.2           | -                  |
| 6                                       | 5                                    | Catchment authorities   | 5                               | 4               | 1               | 25.0          | -                  |
| 261                                     | 253                                  | Other   | 408                             | 377             | 31              | 8.2           | 451                |
| <b>7,445</b>                            | <b>7,374</b>                         | <b>Total Advances</b>   | <b>8,602</b>                    | <b>8,756</b>    | <b>(154)</b>    | <b>(1.8)</b>  | <b>9,045</b>       |
| <b>Analysis of Student Loans</b>        |                                      |   |                                 |                 |                 |               |                    |
| <b>Outstanding balance</b>              |                                      |   |                                 |                 |                 |               |                    |
| 6,821                                   | 6,856                                | Total loans outstanding (including interest)  | 7,557                           | 7,598           | (41)            | (0.5)         | 7,512              |
| (826)                                   | (790)                                | Total provisions (capital and interest)   | (917)                           | (911)           | (6)             | (0.7)         | (894)              |
| <b>5,995</b>                            | <b>6,066</b>                         | <b>Total Student Loans</b>  | <b>6,640</b>                    | <b>6,687</b>    | <b>(47)</b>     | <b>(0.7)</b>  | <b>6,618</b>       |
| <b>Movement during the year</b>         |                                      |   |                                 |                 |                 |               |                    |
| 5,370                                   | 5,370                                | Opening balance   | 5,995                           | 5,995           | -               | -             | 5,995              |
| 999                                     | 864                                  | Amount advanced in current year   | 775                             | 795             | (20)            | (2.5)         | 998                |
| 447                                     | 278                                  | Interest accrued on outstanding loan balances   | 364                             | 369             | (5)             | (1.4)         | 503                |
| (294)                                   | (207)                                | Repayment of base capital   | (179)                           | (220)           | 41              | 18.6          | (314)              |
| (216)                                   | (147)                                | Repayment of accrued interest   | (216)                           | (164)           | (52)            | (31.7)        | (238)              |
| (319)                                   | (98)                                 | Interest written off and movement in provision for interest write-offs and doubtful debts | (106)                           | (95)            | (11)            | (11.6)        | (333)              |
| 8                                       | 6                                    | Other movements   | 7                               | 7               | -               | -             | 7                  |
| <b>5,995</b>                            | <b>6,066</b>                         | <b>Closing Balance</b>  | <b>6,640</b>                    | <b>6,687</b>    | <b>(47)</b>     | <b>(0.7)</b>  | <b>6,618</b>       |
| <b>NOTE 10: Receivables</b>             |                                      |   |                                 |                 |                 |               |                    |
| 5,843                                   | 6,108                                | Taxes receivable  | 6,515                           | 6,389           | 126             | 2.0           | 5,758              |
| 4,294                                   | 3,727                                | Accounts receivable   | 4,460                           | 4,095           | 365             | 8.9           | 4,285              |
| 156                                     | 185                                  | Receivable from the sale and purchase of Maui gas   | 128                             | 126             | 2               | 1.6           | 134                |
| 294                                     | 380                                  | Prepayments   | 668                             | 349             | 319             | 91.4          | 252                |
| <b>10,587</b>                           | <b>10,400</b>                        | <b>Total Receivables</b>  | <b>11,771</b>                   | <b>10,959</b>   | <b>812</b>      | <b>7.4</b>    | <b>10,429</b>      |
| <b>NOTE 11: Other Investments</b>       |                                      |   |                                 |                 |                 |               |                    |
| 82                                      | 79                                   | International Bank for Reconstruction and Developments                                    | 72                              | 83              | (11)            | (13.3)        | 83                 |
| 89                                      | 81                                   | Asian Development Bank  | 78                              | 89              | (11)            | (12.4)        | 89                 |
| 88                                      | 87                                   | Other   | 61                              | 83              | (22)            | (26.5)        | 84                 |
| <b>259</b>                              | <b>247</b>                           | <b>Total Other Investments</b>  | <b>211</b>                      | <b>255</b>      | <b>(44)</b>     | <b>(17.3)</b> | <b>256</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m       | Actual<br>31<br>March<br>2004<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast |
|---|--------------------------------------|--|---------------------------------|-----------------|-----------------|--------------|--------------------|
|   |                                      |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | \$m                |
| <b>NOTE 12: Property, Plant and Equipment</b> |                                      |  |                                 |                 |                 |              |                    |
| <b>By Type</b>                                |                                      |  |                                 |                 |                 |              |                    |
| <b>Gross Carrying Value</b>                   |                                      |  |                                 |                 |                 |              |                    |
| 9,509   | 6,727                                | Land (valuation)                             | 9,797                           | 9,745           | 52              | 0.5          | 9,524              |
| 464   | 456                                  | Properties intended for sale (valuation)     | 439                             | 450             | (11)            | (2.4)        | 487                |
| 18,138  | 19,504                               | Buildings (valuation)                        | 18,510                          | 18,710          | (200)           | (1.1)        | 19,297             |
| 2,409   | 2,175                                | Electricity distribution network (valuation) | 2,103                           | 2,192           | (89)            | (4.1)        | 2,237              |
| 4,915   | 1,273                                | Electricity generation assets (valuation)    | 6,047                           | 5,538           | 509             | 9.2          | 5,610              |
| 1,149   | 1,374                                | Aircraft (ex SME) (valuation)                | 1,425                           | 1,554           | (129)           | (8.3)        | 1,530              |
| 13,082  | 12,865                               | State highways (valuation)                   | 13,475                          | 13,475          | -               | -            | 13,606             |
| 2,780   | 2,790                                | Specialist military equipment (valuation)    | 2,998                           | 3,043           | (45)            | (1.5)        | 3,114              |
| 8,402   | 9,206                                | Other plant and equipment (cost)             | 8,741                           | 9,081           | (340)           | (3.7)        | 9,209              |
| 5,262   | 5,221                                | Other assets (valuation)                     | 5,497                           | 5,199           | 298             | 5.7          | 5,274              |
| <b>66,110</b>                                 | <b>61,591</b>                        | <b>Total Gross Carrying Value</b>            | <b>69,032</b>                   | <b>68,987</b>   | <b>45</b>       | <b>0.1</b>   | <b>69,888</b>      |
| <b>Accumulated Depreciation</b>               |                                      |  |                                 |                 |                 |              |                    |
| 1,356   | 1,771                                | Buildings                                    | 1,968                           | 1,860           | (108)           | (5.8)        | 1,984              |
| 451   | 222                                  | Electricity distribution network             | 168                             | 176             | 8               | 4.5          | 202                |
| 416   | 215                                  | Electricity generation assets                | 507                             | 519             | 12              | 2.3          | 432                |
| -   | 155                                  | Aircraft (ex SME)                            | 133                             | 136             | 3               | 2.2          | 116                |
| -   | 158                                  | State highways                               | 175                             | 175             | -               | -            | 233                |
| 482   | 439                                  | Specialist military equipment                | 608                             | 604             | (4)             | (0.7)        | 650                |
| 5,141   | 5,144                                | Other plant and equipment                    | 5,395                           | 5,564           | 169             | 3.0          | 5,600              |
| 324   | 425                                  | Other assets                                 | 370                             | 353             | (17)            | (4.8)        | 295                |
| <b>8,170</b>                                  | <b>8,529</b>                         | <b>Total Accumulated Depreciation</b>        | <b>9,324</b>                    | <b>9,387</b>    | <b>63</b>       | <b>0.7</b>   | <b>9,512</b>       |
| <b>Net Carrying Value</b>                     |                                      |  |                                 |                 |                 |              |                    |
| 9,509   | 6,727                                | Land (valuation)                             | 9,797                           | 9,745           | 52              | 0.5          | 9,524              |
| 464   | 456                                  | Properties intended for sale (valuation)     | 439                             | 450             | (11)            | (2.4)        | 487                |
| 16,782  | 17,733                               | Buildings (valuation)                        | 16,542                          | 16,850          | (308)           | (1.8)        | 17,313             |
| 1,958   | 1,953                                | Electricity distribution network (valuation) | 1,935                           | 2,016           | (81)            | (4.0)        | 2,035              |
| 4,499   | 1,058                                | Electricity generation assets (valuation)    | 5,540                           | 5,019           | 521             | 10.4         | 5,178              |
| 1,149   | 1,219                                | Aircraft (ex SME) (valuation)                | 1,292                           | 1,418           | (126)           | (8.9)        | 1,414              |
| 13,082  | 12,707                               | State highways (valuation)                   | 13,300                          | 13,300          | -               | -            | 13,373             |
| 2,298   | 2,351                                | Specialist military equipment (valuation)    | 2,390                           | 2,439           | (49)            | (2.0)        | 2,464              |
| 3,261   | 4,062                                | Other plant and equipment (cost)             | 3,346                           | 3,517           | (171)           | (4.9)        | 3,609              |
| 4,938   | 4,796                                | Other assets (valuation)                     | 5,127                           | 4,846           | 281             | 5.8          | 4,979              |
| <b>57,940</b>                                 | <b>53,062</b>                        | <b>Total Net Carrying Value</b>              | <b>59,707</b>                   | <b>59,600</b>   | <b>107</b>      | <b>0.2</b>   | <b>60,376</b>      |
| <b>By holding</b>                             |                                      |  |                                 |                 |                 |              |                    |
| 57,357  | 52,625                               | Freehold assets                              | 59,305                          | 59,145          | 160             | 0.3          | 60,011             |
| 583   | 437                                  | Leasehold assets                             | 402                             | 455             | (53)            | (11.6)       | 365                |
| <b>57,940</b>                                 | <b>53,062</b>                        | <b>Total Net Carrying Value</b>              | <b>59,707</b>                   | <b>59,600</b>   | <b>107</b>      | <b>0.2</b>   | <b>60,376</b>      |
| <b>NOTE 13: Payables and Provisions</b>       |                                      |  |                                 |                 |                 |              |                    |
| 7,493   | 6,444                                | Accounts payable and accruals                | 8,343                           | 7,222           | (1,121)         | (15.5)       | 7,278              |
| 2,355   | 2,106                                | Taxes repayable                              | 2,299                           | 2,349           | 50              | 2.1          | 2,326              |
| 485   | 532                                  | Provisions                                   | 470                             | 626             | 156             | 24.9         | 657                |
| 891   | 882                                  | National Provident Fund guarantee            | 891                             | 891             | -               | -            | 891                |
| 1,262   | 1,177                                | Provision for employee entitlements          | 1,299                           | 1,208           | (91)            | (7.5)        | 1,227              |
| <b>12,486</b>                                 | <b>11,141</b>                        | <b>Total Payables and Provisions</b>         | <b>13,302</b>                   | <b>12,296</b>   | <b>(1,006)</b>  | <b>(8.2)</b> | <b>12,379</b>      |

# 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 2004 for inclusion within the 2004 December Economic and Fiscal Update (2004 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 2004 DEFU was calculated using discount rates derived from the market yield curve as at the balance date (31 October 2004). This resulted in a long-term after-tax discount rate of 4.1% (4.4% at 30 June 2004). The other principal long-term financial assumptions used in the calculation remain unchanged from 30 June 2004, 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<br>30<br>June<br>2004<br>\$m            | Actual<br>31<br>March<br>2004<br>\$m |   | Current Year Actual vs Forecast |                 |                 |            | Annual<br>Forecast |
|--|--------------------------------------|---|---------------------------------|-----------------|-----------------|------------|--------------------|
|  |                                      |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          | \$m                |
| <b>GSF liability and asset information</b>         |                                      |   |                                 |                 |                 |            |                    |
| <b>Gross GSF liability</b>                         |                                      |   |                                 |                 |                 |            |                    |
| 13,857   | 13,857                               | Opening gross liability                                   | 13,542                          | 13,542          | -               | -          | 13,542             |
| (315)  | (330)                                | Net projected change                                      | 435                             | 435             | -               | -          | 443                |
| <b>13,542</b>                                      | <b>13,527</b>                        | <b>Closing gross liability</b>                            | <b>13,977</b>                   | <b>13,977</b>   | <b>-</b>        | <b>-</b>   | <b>13,985</b>      |
| <b>Less net assets available to the GSF scheme</b> |                                      |   |                                 |                 |                 |            |                    |
| 3,182  | 3,182                                | Opening asset value                                       | 3,375                           | 3,375           | -               | -          | 3,375              |
|  |                                      | Net projected change:                                     |                                 |                 |                 |            |                    |
| 315  | 284                                  | - Investment valuation changes                            | 162                             | 108             | 54              | 50.0       | 159                |
| (122)  | (124)                                | - Contributions and other income less membership payments | (102)                           | (98)            | (4)             | (4.1)      | (125)              |
| 193  | 160                                  | Total projected change                                    | 60                              | 10              | 50              | -          | 34                 |
| <b>3,375</b>                                       | <b>3,342</b>                         | <b>Closing net asset values</b>                           | <b>3,435</b>                    | <b>3,385</b>    | <b>50</b>       | <b>1.5</b> | <b>3,409</b>       |
| <b>Net unfunded liability of the GSF schemes</b>   |                                      |   |                                 |                 |                 |            |                    |
| 10,675   | 10,675                               | Opening unfunded liability                                | 10,167                          | 10,167          | -               | -          | 10,167             |
| (508)  | (490)                                | Net projected change                                      | 375                             | 425             | 50              | 11.8       | 409                |
| <b>10,167</b>                                      | <b>10,185</b>                        | <b>Net unfunded liability</b>                             | <b>10,542</b>                   | <b>10,592</b>   | <b>50</b>       | <b>0.5</b> | <b>10,576</b>      |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 15: ACC Claims Liability

### Calculation information

PricewaterhouseCoopers Actuarial Pty Ltd have prepared the independent actuarial estimate of the ACC claims liability as at 30 June 2004 (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 valuation 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) of 2.5% (2.5% at 30 June 2004) and discount rate of 6.2% (6.5% at 30 June 2004). 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. 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<br>30<br>June<br>2004<br>\$m    | Actual<br>31<br>March<br>2004<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast |
|--|--------------------------------------|--|---------------------------------|-----------------|-----------------|--------------|--------------------|
|  |                                      |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | \$m                |
| <b>ACC liability and asset information</b> |                                      |  |                                 |                 |                 |              |                    |
| <b>Gross ACC liability</b>                 |                                      |  |                                 |                 |                 |              |                    |
| 9,155                                      | 9,155                                | Opening gross liability                          | 9,347                           | 9,347           | -               | -            | 9,347              |
| 192  | 62                                   | Net projected change                             | 676                             | 676             | -               | -            | 901                |
| <b>9,347</b>                               | <b>9,217</b>                         | <b>Closing gross liability</b>                   | <b>10,023</b>                   | <b>10,023</b>   | <b>-</b>        | <b>-</b>     | <b>10,248</b>      |
| <b>Less net assets available to ACC</b>    |                                      |  |                                 |                 |                 |              |                    |
| 4,901                                      | 4,901                                | Opening net asset value                          | 5,969                           | 5,969           | -               | -            | 5,969              |
| 1,068                                      | 859                                  | Net projected change                             | 851                             | 558             | 293             | 52.5         | 719                |
| <b>5,969</b>                               | <b>5,760</b>                         | <b>Closing net asset values</b>                  | <b>6,820</b>                    | <b>6,527</b>    | <b>293</b>      | <b>4.5</b>   | <b>6,688</b>       |
| <b>Net ACC reserves (net liability)</b>    |                                      |  |                                 |                 |                 |              |                    |
| (4,254)                                    | (4,254)                              | Opening reserves position                        | (3,378)                         | (3,378)         | -               | -            | (3,378)            |
| 876  | 797                                  | Net projected change                             | 175                             | (118)           | (293)           | (248.3)      | (182)              |
| <b>(3,378)</b>                             | <b>(3,457)</b>                       | <b>Closing reserves position (net liability)</b> | <b>(3,203)</b>                  | <b>(3,496)</b>  | <b>(293)</b>    | <b>(8.4)</b> | <b>(3,560)</b>     |

## NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m | Actual<br>31<br>March<br>2004<br>\$m | Current Year Actual vs Forecast |                 |                 |   | Annual<br>Forecast<br>\$m |
|---|--------------------------------------|---------------------------------|-----------------|-----------------|---|---------------------------|
|   |                                      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | % |                           |

### NOTE 16: Revaluation Reserves

#### *Movement in Asset Revaluation Reserves*

|        |        |                                   |        |        |      |     |        |
|--------|--------|-----------------------------------|--------|--------|------|-----|--------|
| 15,624 | 15,624 | Opening Balance                   | 19,838 | 19,838 | -    | -   | 19,838 |
|        |        | Net Revaluations                  |        |        |      |     |        |
| 3,855  | 17     | Land and buildings                | 2      | -      | 2    | -   | 18     |
| 308    | -      | State highways                    | -      | -      | -    | -   | -      |
| -      | -      | Electricity generation assets     | 600    | -      | 600  | -   | -      |
| 50     | 16     | Other assets                      | -      | -      | -    | -   | 1      |
| 4,213  | 33     | Total Net Revaluations            | 602    | -      | 602  | -   | 19     |
| 1      | (15)   | Transfers to taxpayer funds       | (20)   | 3      | (23) | -   | -      |
| 19,838 | 15,642 | Closing Asset Revaluation Reserve | 20,420 | 19,841 | 579  | 2.9 | 19,857 |

# NOTES TO THE FINANCIAL STATEMENTS

| Prior Year<br>30<br>June<br>2004<br>\$m   | Actual<br>31<br>March<br>2004<br>\$m |   | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast |
|---|--------------------------------------|---|---------------------------------|-----------------|-----------------|---------------|--------------------|
|   |                                      |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             | \$m                |
| <b>Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds</b>  |                                      |   |                                 |                 |                 |               |                    |
| 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. |                                      |   |                                 |                 |                 |               |                    |
| <b>Core Crown Cash Flows from Operations</b>  |                                      |   |                                 |                 |                 |               |                    |
| 42,777  | 32,070                               | Total tax receipts  | 35,115                          | 34,957          | 158             | 0.5           | 46,273             |
| 428   | 308                                  | Total other sovereign receipts                                  | 359                             | 433             | (74)            | (17.1)        | 564                |
| 1,129   | 1,093                                | Interest, profits and dividends                                 | 1,171                           | 1,087           | 84              | 7.7           | 1,250              |
| 534   | 1,091                                | Sale of goods & services and other receipts                     | 908                             | 1,008           | (100)           | (9.9)         | 786                |
| (14,250)  | (10,619)                             | Subsidies and transfer payments                                 | (10,561)                        | (10,782)        | 221             | 2.0           | (14,384)           |
| (23,198)  | (17,967)                             | Personnel and operating costs                                   | (18,859)                        | (18,721)        | (138)           | (0.7)         | (24,797)           |
| (1,977)   | (1,409)                              | Finance costs   | (1,402)                         | (1,402)         | -               | -             | (1,903)            |
| -   | -                                    | Forecasts for future new spending                               | -                               | -               | -               | -             | (461)              |
| <b>5,443</b>  | <b>4,567</b>                         | <b>Net Cash Flows From Operations</b>                           | <b>6,731</b>                    | <b>6,580</b>    | <b>151</b>      | <b>2.3</b>    | <b>7,328</b>       |
| <b>Investing flows</b>  |                                      |   |                                 |                 |                 |               |                    |
| <i>Net advances</i>   |                                      |   |                                 |                 |                 |               |                    |
| (701)   | (595)                                | Student loans   | (595)                           | (571)           | (24)            | (4.2)         | -                  |
| (503)   | (200)                                | Housing New Zealand Corporation                                 | (28)                            | (35)            | 7               | 20.0          | -                  |
| (614)   | (202)                                | District health boards and RHMU                                 | 42                              | (23)            | 65              | 282.6         | -                  |
| 44  | 44                                   | Tranz Rail New Zealand Limited                                  | -                               | -               | -               | -             | -                  |
| -   | -                                    | NZ Railways Corporation   | (15)                            | -               | (15)            | -             | -                  |
| 49  | 32                                   | Other   | 33                              | 8               | 25              | 312.5         | (772)              |
| <b>(1,725)</b>  | <b>(921)</b>                         | <b>Total Net Advances</b>                                       | <b>(563)</b>                    | <b>(621)</b>    | <b>58</b>       | <b>9.3</b>    | <b>(772)</b>       |
| <b>(1,299)</b>  | <b>(1,016)</b>                       | <b>Net purchase of physical assets</b>                          | <b>(1,033)</b>                  | <b>(1,208)</b>  | <b>175</b>      | <b>14.5</b>   | <b>(1,705)</b>     |
| <i>Net investments</i>  |                                      |   |                                 |                 |                 |               |                    |
| (28)  | (54)                                 | District health boards  | (32)                            | (53)            | 21              | 39.6          | -                  |
| 78  | 119                                  | Housing New Zealand Corporation                                 | (109)                           | (131)           | 22              | 16.8          | -                  |
| -   | -                                    | Air NZ  | (150)                           | (150)           | -               | -             | -                  |
| (70)  | (58)                                 | Other   | (9)                             | 8               | (17)            | (212.5)       | (650)              |
| (1,879)   | (1,424)                              | Net purchase of MSDs/equities by NZS Fund                       | (1,540)                         | (1,540)         | -               | -             | (2,107)            |
| -   | -                                    | Purchase of Reserve Bank reserves                               | -                               | -               | -               | -             | (500)              |
| -   | -                                    | Forecast new capital spending                                   | -                               | -               | -               | -             | (158)              |
| <b>(1,899)</b>  | <b>(1,417)</b>                       | <b>Net (purchase)/sale of Investments</b>                       | <b>(1,840)</b>                  | <b>(1,866)</b>  | <b>26</b>       | <b>1.4</b>    | <b>(3,415)</b>     |
| <b>520</b>  | <b>1,213</b>                         | <b>(Required to be financed)/Available for debt repayment</b>   | <b>3,295</b>                    | <b>2,885</b>    | <b>410</b>      | <b>14.2</b>   | <b>1,436</b>       |
| <i>Used in:</i>   |                                      |   |                                 |                 |                 |               |                    |
| 541   | (2,989)                              | Other net (purchase)/sale of marketable securities and deposits | (2,702)                         | (1,859)         | (843)           | (45.3)        | (1,179)            |
| <b>1,061</b>  | <b>(1,776)</b>                       | <b>Total Investing activities</b>                               | <b>593</b>                      | <b>1,026</b>    | <b>(433)</b>    | <b>(42.2)</b> | <b>257</b>         |
| 2   | (152)                                | Net (repayment)/issue of other New Zealand-dollar borrowing     | (1,048)                         | (551)           | (497)           | (90.2)        | (823)              |
| (216)   | (398)                                | Net (repayment)/issue of foreign currency borrowing             | 1,309                           | 1,114           | 195             | 17.5          | 732                |
| (250)   | 167                                  | Net outflows/(inflow) of cash                                   | (42)                            | (298)           | 256             | 85.9          | 528                |
| 114   | 173                                  | Issues of circulating currency                                  | 348                             | 13              | 335             | -             | 31                 |
| <b>(350)</b>  | <b>(210)</b>                         |   | <b>567</b>                      | <b>278</b>      | <b>289</b>      | <b>104.0</b>  | <b>468</b>         |
| <b>711</b>  | <b>(1,986)</b>                       | <b>Net Repayment of/(Cash Proceeds from) Domestic Bonds</b>     | <b>1,160</b>                    | <b>1,304</b>    | <b>(144)</b>    | <b>(11.0)</b> | <b>725</b>         |
| <b>Gross Cash Proceeds from Domestic Bonds</b>  |                                      |   |                                 |                 |                 |               |                    |
| 2,212   | 1,918                                | Domestic bonds (market)   | 1,541                           | 1,473           | 68              | 4.6           | 2,052              |
| 478   | 68                                   | Domestic bonds (non-market)                                     | 434                             | 358             | 76              | 21.2          | 358                |
| <b>2,690</b>  | <b>1,986</b>                         | <b>Total Gross Cash Proceeds from Domestic Bonds</b>            | <b>1,975</b>                    | <b>1,831</b>    | <b>144</b>      | <b>7.9</b>    | <b>2,410</b>       |
| (3,044)   | -                                    | Repayment of domestic bonds (market)                            | (2,797)                         | (2,797)         | -               | -             | (2,797)            |
| (357)   | -                                    | Repayment of domestic bonds (non-market)                        | (338)                           | (338)           | -               | -             | (338)              |
| <b>(711)</b>  | <b>1,986</b>                         | <b>Net (Repayments of)/Cash Proceeds from Domestic Bonds</b>    | <b>(1,160)</b>                  | <b>(1,304)</b>  | <b>144</b>      | <b>11.0</b>   | <b>(725)</b>       |