

Generally Accepted Accounting Practice (GAAP) Series Tables

Forecast Financial Statements

These forecasts and projections have been prepared in accordance with the Fiscal Responsibility Act 1994.

They are based on the accounting policies and assumptions that follow on pages 104 to 118. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The forecasts and projections have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. They reflect all Government decisions and circumstances communicated to 30 April 1999.

Finalisation Dates	
Fiscal forecasts	10 May
Tax revenue forecasts	29 April
Economic outlook	27 April
Government decisions and circumstances	12 April ¹
Actual asset revaluations	31 March
Foreign-exchange rates	31 March
Specific Fiscal Risks	30 April
Contingent liabilities and commitments	31 March

Terms and Definitions

Estimated actual - the forecast of the estimated actual result for the 1998/99 year.

Forecast - prospective financial information prepared on the basis of decisions that the Government has made at the forecast finalisation date. A forecast is prepared for the 1999/2000 year.

Projection - prospective financial information based on decisions that the Government has made at the forecast finalisation date and on assumptions as to likely future economic conditions. There is considerably more uncertainty involved in a projection than in a forecast. Projections are prepared for the 2000/01 and 2001/02 years.

¹ Final decisions on the sale of Contact Energy Limited were made on 10 May. The sale has been incorporated into the fiscal forecasts.

Reporting Entity as at 10 May 1999

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

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

Crown Entities

Accident Rehabilitation and Compensation Insurance Corporation	Museum of New Zealand Te Papa Tongarewa
Accounting Standards Review Board	New Zealand Antarctic Institute
Agriculture and Marketing Research and Development Trust	New Zealand Artificial Limb Board
Alcoholic Liquor Advisory Council	New Zealand Business Development Board
Animal Control Products Limited	New Zealand Film Commission
Arts Council of New Zealand Toi Aotearoa	New Zealand Fire Service Commission
Asia 2000 Foundation of New Zealand	New Zealand Fish and Game Council
Broadcasting Commission	New Zealand Game Bird Habitat Trust Board
Broadcasting Standards Authority	New Zealand Government Property Corporation
Building Industry Authority	New Zealand Lotteries Commission
Careers Service	New Zealand Lottery Grants Board
Casino Control Authority	New Zealand Qualifications Authority
Civil Aviation Authority of New Zealand	New Zealand Sports Drug Agency
Commerce Commission	New Zealand Symphony Orchestra Limited
Commissioner for Children	New Zealand Tourism Board
Crown research institutes (9)	New Zealand Trade Development Board
Early Childhood Development Unit	Office of Film and Literature Classification
Earthquake Commission	Pacific Islands Employment Development Board
Education and Training Support Agency	Police Complaints Authority
Electoral Commission	Privacy Commissioner
Environmental Risk Management Authority	Quotable Value New Zealand Limited
Fish and Game Councils (13)	Race Relations Conciliator
Foundation for Research, Science and Technology	Radio New Zealand Limited
Government Property Services Limited	Reserve boards (51)
Health and Disability Commissioner	Residual Health Management Unit
Health Funding Authority	Retirement Commissioner
Health Research Council of New Zealand	Road Safety Trust
Health Sponsorship Council	School boards of trustees (2,671)
Hillary Commission for Sport, Fitness and Leisure	Securities Commission
Hospital and health services (24)	Special Education Service
Housing Corporation of New Zealand	Standards Council
Housing New Zealand Limited	Takeovers Panel
Human Rights Commission	Te Reo Whakapuaki Irirangi (Te Mangai Paho)
Land Transport Safety Authority of New Zealand	Te Taura Whiri I Te Reo Māori (Māori Language Commission)
Law Commission	Teacher Registration Board
Learning Media Limited	Tertiary education institutions (39)
Legal Services Board	Testing Laboratory Registration Council
Management Development Centre Trust	Transfund New Zealand
Maritime Safety Authority of New Zealand	Transit New Zealand
Mental Health Commission	Transport Accident Investigation Commission
	Trustees of the National Library

Reserve Bank of New Zealand

Forecast Statement of Financial Performance

for the years ending 30 June

(\$ million)	Note	1999			2000 Forecast	2001 Projection	2002 Projection
		1998 Actual	Previous Budget	Estimated Actual			
Revenue							
Levied through the Crown's Sovereign Power							
Direct taxation	1	21,260	21,603	20,490	21,368	22,634	23,857
Indirect taxation	2	11,722	12,095	11,866	12,197	12,596	13,086
Total taxation revenue		32,982	33,698	32,356	33,565	35,230	36,943
Compulsory fees, fines, penalties and levies		258	263	270	287	304	310
Total Revenue Levied through the Crown's Sovereign Power		33,240	33,961	32,626	33,852	35,534	37,253
Earned through the Crown's Operations							
Investment income	3	1,154	1,243	2,778	927	1,067	1,185
Sales of goods and services		689	673	657	670	678	723
Other operational revenue	4	420	380	413	292	280	277
Unrealised gains/(losses) arising from changes in the value of commercial forests		78	..	(12)	..	..	..
Total Revenue Earned through the Crown's Operations		2,341	2,296	3,836	1,889	2,025	2,185
Total Revenue		35,581	36,257	36,462	35,741	37,559	39,438
Expenses							
By Functional Classification							
Social security and welfare		13,003	13,677	13,367	13,681	13,736	13,949
Health		6,001	6,444	6,577	6,822	6,866	6,952
Education		5,714	5,953	5,910	6,238	6,371	6,498
Core government services		1,562	1,624	1,714	1,682	1,672	1,635
Law and order		1,345	1,395	1,527	1,448	1,422	1,431
Defence		1,065	1,115	1,031	1,135	1,113	1,076
Transport and communications		948	933	1,018	1,027	1,056	1,083
Economic and industrial services		840	876	898	809	773	771
Primary services		423	329	342	300	300	302
Heritage, culture and recreation		297	327	328	375	391	389
Housing and community development		29	51	45	48	45	40
Other		167	154	30	149	146	145
Finance costs	5	2,804	2,564	2,520	2,294	2,454	2,512
Net foreign-exchange losses/(gains)		13	..	(51)	..	..	..
Provision for future initiatives		..	290	..	250	900	1,580
Contingency expense provision		..	100	..	100	100	100
Total Expenses	5	34,211	35,832	35,256	36,358	37,345	38,463
Revenue Less Expenses		1,370	425	1,206	(617)	214	975
Surplus attributable to State-owned enterprises and Crown entities	9	1,560	1,403	1,433	861	901	912
Dividends and other distributions	9	(396)	(523)	(475)	(280)	(325)	(383)
Net surplus attributable to State-owned enterprises and Crown entities		1,164	880	958	581	576	529
Operating Balance		2,534	1,305	2,164	(36)	790	1,504

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Financial Position

as at 30 June

(\$ million)	Note	1999		2000 Forecast	2001 Projection	2002 Projection	
		1998 Actual	Previous Budget				Estimated Actual
Assets							
Cash and bank balances		171	53	135	106	121	132
Marketable securities and deposits	6	10,285	8,193	9,773	8,084	8,055	7,764
Advances	7	3,367	4,042	3,779	4,299	4,925	5,463
Receivables	8	5,040	5,135	5,045	5,013	5,087	5,179
Inventories		302	306	314	316	313	310
State-owned enterprises and Crown entities	9	19,022	20,540	12,049	12,964	13,404	13,742
Other investments		261	256	187	195	195	195
Physical assets	10	14,962	15,478	15,453	15,595	15,538	15,213
Commercial forests		573	481	500	500	500	500
State highways	11	8,359	8,490	8,436	8,533	8,642	8,766
Intangible assets		14	2	3	3	3	3
Contingency capital provision		..	..	..	..	300	600
Total Assets		62,356	62,976	55,674	55,608	57,083	57,867
Liabilities							
Payables and provisions	12	4,639	4,426	4,261	4,204	4,183	4,045
Currency issued		1,809	1,826	2,023	2,023	2,023	2,023
Borrowings		37,892	36,860	36,056	36,096	36,857	36,349
Pension liabilities		8,095	8,144	7,878	7,865	7,810	7,736
Total Liabilities		52,435	51,256	50,218	50,188	50,873	50,153
Total Assets Less Total Liabilities		9,921	11,720	5,456	5,420	6,210	7,714
Crown Balance							
Accumulated operating balance		3,132	4,650	(1,595)	(1,631)	(841)	663
Revaluation reserve	13	6,789	7,070	7,051	7,051	7,051	7,051
Crown Balance		9,921	11,720	5,456	5,420	6,210	7,714

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Movements in Equity

for the years ending 30 June

(\$ million)	Note	1999			2000 Forecast	2001 Projection	2002 Projection
		1998 Actual	Previous Budget	Estimated Actual			
Opening Crown Balance		7,470	10,415	9,921	5,456	5,420	6,210
Operating balance for the year		2,534	1,305	2,164	(36)	790	1,504
Net revaluations	13	(83)	..	270	..	..	..
Total Recognised Revenues and Expenses		2,451	1,305	2,434	(36)	790	1,504
Accident Rehabilitation and Compensation Insurance Corporation recognition policy changes	9	..	..	(6,899)	..	..	..
Closing Crown Balance		9,921	11,720	5,456	5,420	6,210	7,714

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows

for the years ending 30 June

(\$ million)	1999					
	1998 Actual	Previous Budget	Estimated Actual	2000 Forecast	2001 Projection	2002 Projection
Cash Flows from Operations						
Cash Provided From						
Direct Taxation						
Individuals						
Source deductions	12,739	12,571	12,325	12,859	13,357	14,053
Other persons	3,721	3,639	3,548	3,442	3,669	3,969
Refunds	(1,078)	(1,025)	(1,104)	(1,023)	(1,044)	(1,054)
Fringe benefit tax	341	344	334	345	355	366
Total Individuals	15,723	15,529	15,103	15,623	16,337	17,334
Companies						
Gross companies	4,386	4,805	4,500	4,906	5,254	5,322
Refunds	(603)	(485)	(592)	(551)	(526)	(532)
Total Companies	3,783	4,320	3,908	4,355	4,728	4,790
Withholding taxes	1,863	1,688	1,627	1,388	1,545	1,704
Other direct taxation	2	1	2	2	2	2
Total Direct Taxation	21,371	21,538	20,640	21,368	22,612	23,830
Indirect Taxation						
Goods and Services Tax						
Gross goods and services tax	12,068	12,818	12,425	12,996	13,581	14,205
Refunds	(4,144)	(4,497)	(4,250)	(4,402)	(4,611)	(4,809)
Total Goods and Services Tax	7,924	8,321	8,175	8,594	8,970	9,396
Excise duties	1,919	1,980	1,930	2,004	2,020	2,037
Other indirect taxation	1,845	1,766	1,614	1,560	1,566	1,611
Total Indirect Taxation	11,688	12,067	11,719	12,158	12,556	13,044
Total Taxation Receipts	33,059	33,605	32,359	33,526	35,168	36,874
Compulsory Fees, Fines, Penalties and Levies	242	250	245	263	291	300
Other Receipts						
Interest, profits and dividends	731	1,091	954	742	832	940
Sales of goods and services	676	661	628	631	654	691
Other operating receipts	383	374	416	326	302	300
Total Other Receipts	1,790	2,126	1,998	1,699	1,788	1,931
Total Cash Provided from Operations	35,091	35,981	34,602	35,488	37,247	39,105
Cash Disbursed To						
Departmental outputs	4,193	4,366	4,643	4,578	4,332	4,267
Other outputs	13,965	14,239	14,635	15,085	15,315	15,459
Finance costs	2,378	2,635	2,418	2,387	2,605	2,607
Subsidies	156	151	154	156	162	161
Current transfers						
Social assistance grants	12,387	12,773	12,678	12,841	12,966	13,229
Other transfers	209	219	220	231	240	240
Provision for future initiatives	..	290	..	250	900	1,580
Contingency expenditure provision	..	100	..	100	100	100
Total Cash Disbursed to Operations	33,288	34,773	34,748	35,628	36,620	37,643
Net Cash Flows from Operations (carried forward)	1,803	1,208	(146)	(140)	627	1,462

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
Subtotal (brought forward)	1,803	1,208	(146)	(140)	627	1,462
Cash Flows from Investing Activities						
Cash Provided From						
Sale of physical assets	123	171	219	150	131	72
Total Cash Provided	123	171	219	150	131	72
Cash Disbursed To						
Purchase of physical assets	1,104	1,439	1,283	1,240	916	809
Net increase in advances	434	518	332	314	484	412
Net purchase/(sale) of investments	942	(588)	(3,403)	(1,444)	(151)	(477)
Contingency capital provision	..	..	..	..	300	300
Total Cash Disbursed	2,480	1,369	(1,788)	110	1,549	1,044
Net Cash Flows from Investing Activities	(2,357)	(1,198)	2,007	40	(1,418)	(972)
Net Cash Flows from Operating and Investing Activities	(554)	10	1,861	(100)	(791)	490
Cash Flows from Financing Activities						
Cash Provided From						
Issue of circulating currency	68	..	214	..	..	..
Total Cash Provided	68	..	214	..	..	..
Cash Disbursed To						
Net repayment/(issue) of Government stock	209	(573)	(2,903)	228	(791)	161
Net (issue)/repayment of foreign-currency borrowing	(127)	240	1,755	36	48	284
Net (issue)/repayment of other New Zealand-dollar borrowing	(495)	333	3,280	(335)	(63)	34
Total Cash Disbursed	(413)	..	2,132	(71)	(806)	479
Net Cash Flows from Financing Activities	481	..	(1,918)	71	806	(479)
Net Movement in Cash Held	(73)	10	(57)	(29)	15	11
Opening Cash Balance	196	43	171	135	106	121
Foreign-exchange gains on opening cash balances	48	..	21	..	..	..
Closing Cash Balance	171	53	135	106	121	132

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
Reconciliation Between the Forecast Operating Balance and Forecast Net Cash Flows from Operations						
Operating Balance	2,534	1,305	2,164	(36)	790	1,504
<i>Items included in the operating balance but not in net cash flows from operations</i>						
Valuation changes						
Unrealised net foreign exchange gains	(155)	..	(73)	..	..	..
Unrealised (gains)/losses arising from changes in the value of commercial forests	(78)	..	12	..	..	..
	2,301	1,305	2,103	(36)	790	1,504
Physical asset movements						
Depreciation	737	820	779	833	885	902
Loss/(gain) on sale of assets	1	..	(2)	..	..	..
Other non-cash items						
Net surplus attributable to State-owned enterprises and Crown entities	(1,164)	(880)	(958)	(581)	(576)	(529)
Gain on sale of Contact Energy and airport companies	..	..	(1,625)	..	..	..
Movements in pension liabilities	(233)	48	(217)	(13)	(55)	(74)
Other	56	(36)	9	(29)	(22)	(21)
Other deductions						
Other investing and financing items	(128)	..	(50)	(13)	12	32
Movements in working capital						
Increase in taxes receivable	(10)	(88)	(6)	(55)	(63)	(70)
Increase/(decrease) in payables	236	(29)	(109)	(350)	(317)	(254)
Decrease/(increase) in other receivables	14	76	(58)	106	(30)	(31)
(Increase)/decrease in inventories	(7)	(8)	(12)	(2)	3	3
Total movements in working capital	233	(49)	(185)	(301)	(407)	(352)
Net Cash Flows from Operations	1,803	1,208	(146)	(140)	627	1,462

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

(\$ million)	1999					
	1998 Actual	Previous Budget	Estimated Actual	2000 Forecast	2001 Projection	2002 Projection
Reconciliation of Forecast Net Cash Flows from Operations with Forecast Net Cash Proceeds from Domestic Bonds						
Net Cash Flows from Operations	1,803	1,208	(146)	(140)	627	1,462
Net purchase of physical assets	(981)	(1,268)	(1,064)	(1,090)	(785)	(737)
Net increase in advances	(434)	(518)	(332)	(314)	(484)	(412)
Net (purchase)/sale of investments	(942)	588	3,403	1,444	151	477
Contingency capital provision	..	..	..	..	(300)	(300)
Available to Repay Debt (Net Cash Flows from Operating and Investing Activities)	(554)	10	1,861	(100)	(791)	490
Used in:						
Net issue/(repayment) of other New Zealand-dollar borrowing	495	(333)	(3,280)	335	63	(34)
Decrease/(increase) in cash	73	(10)	57	29	(15)	(11)
Issue of circulating currency	68	..	214	..	..	..
Net issue/(repayment) of foreign- currency borrowing	127	(240)	(1,755)	(36)	(48)	(284)
	763	(583)	(4,764)	328	..	(329)
Net Cash Inflow/(Outflow) to be Offset by Domestic Bonds	209	(573)	(2,903)	228	(791)	161
Gross Cash Proceeds from Domestic Bonds						
Domestic bonds (market)	2,034	2,392	3,463	2,783	3,441	2,421
Domestic bonds (non-market)	..	..	1,002	294	516	298
Inflation bonds	298	289	320	..	..	..
Total Gross Cash Proceeds from Domestic Bonds	2,332	2,681	4,785	3,077	3,957	2,719
Repayment of domestic bonds (market)	(2,541)	(2,108)	(1,782)	(3,011)	(2,650)	(2,582)
Repayment of domestic bonds (non-market)	..	..	(100)	(294)	(516)	(298)
Net Cash (Repayments of)/Proceeds from Domestic Bonds	(209)	573	2,903	(228)	791	(161)

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Borrowings

as at 30 June

(\$ million)	Note	1999					2002 Projection
		1998 Actual	Previous Budget	Estimated Actual	2000 Forecast	2001 Projection	
Outstanding Debt							
New Zealand-Dollar Debt							
Government stock		19,859	20,736	22,743	22,490	23,245	23,064
Treasury bills		8,008	6,635	5,850	6,477	6,534	6,565
Loans and foreign-exchange contracts		289	277	275	172	169	96
Reserve Bank bills		1,204	1,241	..	..	..	..
Earthquake Commission deposits		..	935	..	..	..	..
Retail stock		491	327	685	490	490	490
Total New Zealand-Dollar Debt		29,851	30,151	29,553	29,629	30,438	30,215
Foreign-Currency Debt							
United States dollars		4,088	3,256	2,857	2,852	2,936	2,964
Japanese yen		1,852	1,621	1,770	1,764	1,766	1,458
European and other currencies		2,101	1,832	1,876	1,851	1,717	1,712
Total Foreign-Currency Debt		8,041	6,709	6,503	6,467	6,419	6,134
Total Outstanding Debt		37,892	36,860	36,056	36,096	36,857	36,349
Less							
Financial Assets							
Marketable Securities and Deposits							
New Zealand dollars		1,219	376	2,403	1,016	1,063	1,085
United States dollars		4,367	3,738	3,161	2,876	2,927	2,898
Japanese yen		2,238	1,998	2,356	2,356	2,356	2,072
European and other currencies		2,461	2,081	1,853	1,836	1,709	1,709
Total Marketable Securities and Deposits	6	10,285	8,193	9,773	8,084	8,055	7,764
Advances and Cash							
Advances to State-owned enterprises and Crown entities	7	783	885	385	367	318	283
Student loans	7	2,470	3,040	3,061	3,703	4,371	5,007
Other advances		114	117	333	229	236	173
Cash		171	53	135	106	121	132
Total Advances and Cash		3,538	4,095	3,914	4,405	5,046	5,595
Total Financial Assets		13,823	12,288	13,687	12,489	13,101	13,359
Net Crown Debt		24,069	24,572	22,369	23,607	23,756	22,990
Net New Zealand-dollar debt		25,152	25,680	23,236	24,208	24,329	23,535
Net foreign-currency debt		(1,083)	(1,108)	(867)	(601)	(573)	(545)
Net Crown Debt		24,069	24,572	22,369	23,607	23,756	22,990

The accompanying Notes are an integral part of these Statements.

Statement of Actual Commitments

as at 31 March 1999

(\$ million)	As at 31 December 1998	As at 31 March 1999
Capital Commitments		
Specialist military equipment	441	495
Land and buildings	124	139
Other plant and equipment	44	44
Investments	44	262
Commitments of State-owned enterprises and Crown entities	1,527	1,198
Total Capital Commitments	2,180	2,138
Operating Commitments		
Non-cancellable accommodation leases	664	654
Other non-cancellable leases	3,586	3,595
Non-cancellable contracts for the supply of goods and services	342	319
Other operating commitments	967	917
Commitments of State-owned enterprises and Crown entities	3,781	3,541
Total Operating Commitments	9,340	9,026
Total Commitments	11,520	11,164
By term		
One year or less	4,120	3,239
From one to two years	1,554	1,686
From two to five years	2,020	2,187
Over five years	3,826	4,052
Total Commitments	11,520	11,164

The Statement of Actual Commitments includes commitments which are also included in the Forecast Statements of Financial Performance and Financial Position.

The accompanying Notes are an integral part of these Statements.

Statement of Actual Specific Fiscal Risks

Quantifiable contingent liabilities

(\$ million)	As at 31 December 1998	As at 31 March 1999
Guarantees and indemnities	343	402
Uncalled capital	2,842	2,821
Legal proceedings and disputes	365	530
Other contingent liabilities	1,310	1,735
Total Quantifiable Contingent Liabilities	4,860	5,488

Contingent liabilities of the Reserve Bank of New Zealand, State-owned enterprises and Crown entities are included in quantifiable contingent liabilities. Contingent liabilities to sub-entities are excluded.

Non-quantifiable contingent liabilities

This part of the Statement lists those contingent liabilities of the Crown which cannot be quantified.

Institutional Guarantees

Commerce Commission
 District Court Judges and Justices of the Peace
 Earthquake Commission
 Fletcher Challenge Limited
Māori Trustee
 National Provident Fund
 Persons exercising investigating powers
 Public Trust Office
 Reserve Bank of New Zealand

Other Unquantifiable Contingent Liabilities

Alkylammonium compound compensation
 Bank of New Zealand
 Contact Energy Limited
 Contaminated sites
 Crown research institutes
 Development Finance Corporation New Zealand Limited (under statutory management)
 Electricity Corporation of New Zealand Limited
 Hospital and health services
 Housing Corporation of New Zealand
 Housing New Zealand Limited
 Pharmaceutical Management Agency Limited
 Purchasers of Crown operations
 Sale of Crown assets
 Solid Energy New Zealand Limited
 Southland Electric Power Supply Consumer Trust
 Tax liabilities
 Treaty of Waitangi claims
 Treaty of Waitangi claims - settlement relativity payments
 Works Civil Construction
 Works Consultancy Services

Actual Contingent Liabilities are discussed in detail in Chapter 4.

Statement of Actual Specific Fiscal Risks (continued)

Quantified risks

(\$ million)

Corrections - construction of new facilities, associated operating expenses and deferred maintenance	up to (311) of capital and (36) operating over three years
Defence - capital injections	up to capital of (36) in 1999/2000, (105) in 2000/01 and (174) in 2001/02
Department of Social Welfare - Services to Children, Young Persons and their Families	up to (25) in 2000/01
Education - national assessment	up to (26) over three years
Education - school property	capital of up to (30) in 1999/2000, and up to (250) in both 2000/01 and 2001/02
Education - teacher collective employment contracts	(106) in 1999/2000, (118) in 2000/01 and (123) in 2001/02
Health - sustainable funding path	up to (190) in 2000/01 and (400) in 2001/02
Hospital and health services (HHS) - hospital projects in Auckland and Wellington	(130) in 2001/02
Māori Trustee - payment for services	(25)

A negative value (indicated by brackets) reports a deterioration in the fiscal position.

Unquantified risks

Agriculture and Forestry - South Island Landless Maori forest
 At Work Insurance Limited - workplace insurer
 Civil Defence - Disaster Recovery Plan
 Defence - East Timor
 Defence - operating increase
 Education - annual review of principals' pay
 Education - special education
 Electricity - sale of small hydro stations
 Fisheries - allocation of fishing quota
 Hospital and health services - loan covenant
 Inland Revenue - superannuation funds
 Inland Revenue - restrictive covenants and lease inducements
 Land Information New Zealand - Survey and Land Titles Register automation
 Police - capital expenditure
 Public Trust Office - business evaluation
 Sale of Crown-owned assets
 Solid Energy New Zealand Limited - carrying value of the Crown's investment

Risks are stated as at 30 April 1999.

Actual Specific Fiscal Risks are discussed in detail in Chapter 4.

Statement of Accounting Policies and Forecast Assumptions

General Accounting Policies and Forecast Assumptions

General Accounting Policies

Accounting policy

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

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

These Forecast Financial Statements have been prepared on a going-concern basis, and the policies have been applied consistently throughout the forecast periods.

Forecast assumptions

For forecast purposes no revaluations are projected.

General Forecast Assumptions

Finalisation dates

The Forecast Financial Statements were finalised on 10 May 1999 and incorporate all government decisions and circumstances communicated up to 12 April 1999 and the decisions made on 10 May for the sale of Contact Energy Limited.

Macroeconomic assumptions

A summary of the economic assumptions that are particularly relevant to the fiscal forecasts (along with the 1998/99 assumptions used in the 1998 *December Update*) is provided in the following table.

Key economic assumptions

June years	1998/99	1999/2000	2000/01	2001/02
	DEFU	Budget	Budget	Budget
Real GDP ²				
(annual average % change)	(0.2)	0.6	3.1	3.5
Nominal GDP (\$ million)	99,055	99,238	103,606	109,018
Consumers Price Index				
(annual average % change)	1.3	0.4	1.0	1.8
Interest rates				
Government 10-year bonds				
(quarterly average %)	5.8	5.8	6.6	7.3
90-day bill rate				
(quarterly average %)	4.5	4.5	5.0	6.0
Household Labour Force				
Survey unemployment rate				
(annual average %)	8.5	7.6	7.4	6.8
Full-time equivalent employment				
(annual average % change)	(1.7)	(0.6)	1.2	2.0
Wages – Hourly Earnings				
(annual average % change)	2.4	2.9	2.0	2.5
Trade Weighted Index				
(quarterly average)	55.5	58.5	59.2	59.9

Source: The Treasury

For the purposes of calculating net debt, the projections assume the nominal exchange rate remains fixed at 31 March 1999 exchange rates. Projected exchange-rate losses or gains are not included in the forecasts.

² Production-based measure.

Specific Accounting Policies and Forecast Assumptions

Forecast periods

Accounting policy

The reporting periods covered by these Forecast Financial Statements are the years ending 30 June 1999, 30 June 2000, 30 June 2001 and 30 June 2002.

Certain State-owned enterprises and Crown entities have different reporting periods from the Crown. These entities have been combined on the basis of the balance dates outlined in Note 9.

Forecast assumption

Forecasts are prepared for the first two periods (the years ending 30 June 1999 and 2000), while projections are prepared for the latter two periods (the years ending 30 June 2001 and 2002). For simplicity, the term “forecast” is used in this Statement of Accounting Policies and Forecast Assumptions to describe all four years.

The forecasts for the estimated actual period have been prepared using actual data to 31 March 1999. Transactions for the remainder of the year are forecast in accordance with these accounting policies and forecast assumptions.

Basis of Combination

Accounting policy

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

State-owned enterprises and Crown entities are combined using an equity method of combination. This records the Crown's share of these entities' forecast net assets, including their surpluses and deficits. Unrealised surpluses and deficits on inter-entity transactions and balances not carried out on an arm's-length basis are eliminated. Other inter-entity transactions and balances are not eliminated.

Commitments and contingent liabilities of State-owned enterprises and Crown entities are reported in the Statement of Actual Commitments and the Statement of Actual Specific Fiscal Risks.

Revenue

Revenue levied through the Crown's sovereign power

Accounting policy

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

Such revenue is received through the exercise of the Crown's sovereign power.

Where possible, revenue is recognised at the time the debt to the Crown arises, as identified in the following table:

Revenue Type	Revenue Recognition Point
Source deductions (PAYE)	When an individual is forecast to earn income that is subject to PAYE
Residents' withholding taxes ³	When an individual is forecast to receive interest or dividends subject to deduction at source
Fringe benefit tax (FBT)	When forecast benefits are provided that give rise to FBT
Provisional tax ⁴	Forecast payment due date
Terminal tax ⁴	Forecast assessment filed date
Goods and services tax	When the liability to the Crown is forecast to be incurred
Excise duty	When goods are forecast to be subject to duty
Road user charges and motor vehicle fees	When payment for the fee or charge is forecast to be made
Stamp, cheque and credit card duties	When the liability to the Crown is forecast to be incurred
Other indirect taxes	When the debt to the Crown is forecast to arise

³ Corresponds to forecast withholding taxes on residents' interest and dividend income in Note 1 to the Forecast Financial Statements.

⁴ Provisional and terminal taxes are paid by "other persons" and companies (refer to Note 1 to the Forecast Financial Statements).

Revenue earned through operations

Accounting policy

Where revenue will be earned by the Crown in exchange for the provision of outputs (products or services) to third parties, the Crown earns its revenue through operations. This revenue is recognised when it is forecast to be earned.

Investment income

Accounting policy

Investment income is recognised in the period in which it is forecast to be earned.

Premiums

Accounting policy

Premiums arising on the issue of debt instruments up to the forecast finalisation date, are treated as a reduction in the cost of borrowing. Premiums are recognised in the Forecast Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

Premiums on forecast bond sales with the same maturity date and coupon rate as bonds already on issue are calculated using the same maturity and coupon rate information. These premiums are treated on issue as a reduction in the cost of borrowing, and in general are amortised over the period of the instrument on a yield-to-maturity basis.

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

Forecast assumption

Forecast bond sales with new maturity dates are assumed to be issued at par value, and therefore no premiums are forecast for these instruments.

Gains

General

[Accounting policy](#)

Realised gains arising from the sale of assets or the early repurchase of liabilities are recognised in the Forecast Statement of Financial Performance in the period in which the transactions are forecast to occur.

Foreign-currency monetary assets and liabilities

[Accounting policy](#)

Unrealised gains are recognised in the Forecast Statement of Financial Performance.

[Forecast assumption](#)

Forecasts of foreign-currency monetary assets and liabilities for the year ending 30 June 1999 and the other forecast periods use the exchange rates prevailing on 31 March 1999. As a consequence, no realised or unrealised exchange gains are forecast for the entire forecast period.

Physical assets

[Accounting policy](#)

To the extent that a forecast gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Forecast Statement of Financial Performance.

[Forecast assumption](#)

The “estimated actual” forecasts for the value of physical assets use the valuations as recorded in the Crown Financial Statements for the year ended 30 June 1998 and any additional actual valuations that have occurred up to 31 March 1999.

The value of physical assets for the other forecast periods is forecast using the same valuation as that used for the “estimated actual” forecasts. As a consequence, no realised or unrealised gains are forecast for the entire forecast period.

Investments and marketable securities held for investment

[Forecast assumption](#)

All investments and marketable securities held for investment that are forecast to be held after the forecast finalisation date are assumed to be held to maturity. Therefore, no gains are forecast for these assets.

Expenses

General

Accounting policy

Expenses are recognised in the financial periods to which they are forecast to relate.

Welfare benefits

[Accounting policy](#)

Welfare benefits are recognised in the reporting periods during which it is forecast an application for a benefit will be accepted and the eligibility criteria met.

Grants and subsidies

[Accounting policy](#)

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is forecast to be made. Otherwise, the expense is recognised when it is forecast that the specific criteria will be fulfilled and notice given to the Crown.

Treaty of Waitangi settlements

[Forecast assumption](#)

There is a multi-year appropriation (MYA) established for the payment of claims associated with Treaty of Waitangi settlements. The forecasts assume the remaining amount of the MYA will be spread evenly over the remaining years of the appropriation. The actual amount expensed in any one year may be greater or less than the amount forecast for that particular year, since actual expenses depend on the settlements reached.

Discounts

[Accounting policy](#)

Discounts arising on the issue of debt instruments up to the forecast finalisation date are treated as an increase in the cost of borrowings. Discounts are recognised in the Forecast Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

Discounts on forecast bond sales with the same maturity date and coupon rate as bonds already on issue are calculated using the same maturity and coupon rate information. These discounts are treated on issue as an increase in the cost of borrowing, and in general are amortised over the period of the instrument on a yield-to-maturity basis.

[Forecast assumption](#)

Forecast bond sales with new maturity dates are assumed to be issued at par value, and therefore no discounts are forecast for these instruments.

Losses

General

[Accounting policy](#)

Forecast realised losses arising from the sale of assets or the early repurchase of liabilities are recognised in the Forecast Statement of Financial Performance in the period in which the transaction is forecast to occur.

Foreign-currency monetary assets and liabilities

[Accounting policy](#)

Unrealised losses are recognised in the Forecast Statement of Financial Performance.

[Forecast assumption](#)

The “estimated actual” forecasts for foreign-currency monetary assets and liabilities use the exchange rates prevailing on 31 March 1999.

Forecasts of foreign-currency monetary assets and liabilities for the other forecast periods are based on the exchange rates used for the “estimated actual” forecasts. As a consequence, no realised or unrealised exchange losses are forecast for these years.

Physical assets and liabilities

[Accounting policy](#)

Unrealised losses are first applied against the revaluation reserve for that class of asset. The balance, if any, is charged to the Forecast Statement of Financial Performance.

[Forecast assumption](#)

The “estimated actual” forecasts for the value of physical assets uses valuations as recorded in the Crown Financial Statements for the year ended 30 June 1998, and any additional actual valuations that have occurred up to 31 March 1999.

The value of physical assets for the other forecast periods is forecast using the same valuation used for the “estimated actual” forecasts. As a consequence, no realised or unrealised losses are forecast.

Investments and marketable securities held for investment

[Forecast assumption](#)

All investments and marketable securities held for investment that are forecast to be held after the forecast finalisation date are assumed to be held to maturity. Therefore, no losses are forecast for these assets.

Foreign-currency transactions

Accounting policy

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

Other transactions in foreign currencies are translated into New Zealand dollars using the exchange rates prevailing on 31 March 1999. Forecast exchange gains or losses arising on translation of these transactions are recognised in the Forecast Statement of Financial Performance.

The resulting exchange gains or losses are included in the Forecast Statement of Financial Performance in the period in which they are forecast to arise. The forward margin associated with existing forward exchange contracts is amortised over the period of the contract on a straight-line basis.

Forecast assumption

Outstanding foreign-exchange contracts are translated using the exchange rate prevailing on 31 March 1999.

For forecasting purposes, the exchange rates prevailing on 31 March 1999 are assumed to prevail throughout the other forecast periods.

Depreciation

Accounting policy

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

Freehold buildings	25 to 60 years
Specialist military equipment	5 to 25 years
Other plant and equipment	3 to 25 years
State highways:	
Pavement	36 years
Bridges	90 years

Assets

Foreign monetary assets

Accounting policy

Foreign monetary assets existing at the forecast finalisation date and subject to forward exchange contracts are translated at the contract rate. Other foreign-currency monetary assets are translated at the exchange rates prevailing on 31 March 1999.

Forecast assumption

For forecasting purposes, the exchange rates on 31 March 1999 are assumed to prevail throughout the other forecast periods.

Receivables and advances

Accounting policy

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

Inventories

Accounting policy

Inventories existing at the forecast finalisation date are recorded at the lower of cost and net current value. Inventories forecast to be acquired after that date are recorded at the forecast cost.

Investments

Marketable securities held for trading purposes

Accounting policy

Marketable securities held for trading purposes at the forecast finalisation date are recorded at net current value.

Marketable securities that are forecast to be acquired after that date and held for trading purposes are recorded at forecast cost of acquisition.

Equity investments

Accounting policy

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

Equity investments, which are forecast to be purchased after that date, are recorded at the forecast cost.

Other investments

[Accounting policy](#)

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

Other investments that are forecast to be purchased after that date are valued at the forecast cost.

Investment sales

[Forecast assumption](#)

The proceeds from sales of investments or entities are only included in the forecasts when those sales have been contractually confirmed at the forecast finalisation date.

Physical assets

Land and buildings

[Accounting policy](#)

Holdings of land and buildings at the forecast finalisation date are recorded at the latest available valuation calculated on a net-current-value basis. In cases where valuations conducted in accordance with New Zealand Institute of Valuers' standards are not available, valuations conducted in accordance with the Valuation of Land Act 1951 have been used.

Land and buildings forecast to be purchased after the forecast finalisation date are valued at their forecast cost.

[Forecast assumption](#)

Valuations are assumed to remain constant over the forecast period.

Specialist military equipment

[Accounting policy](#)

Specialist military equipment existing at the forecast finalisation date is valued at depreciated replacement cost established through specialist assessment by New Zealand Defence Force advisers.

Specialist military equipment forecast to be purchased after that date is valued at forecast cost.

Other plant and equipment

[Accounting policy](#)

Other plant and equipment (including motor vehicles and office equipment) existing at forecast finalisation date is recorded at cost less accumulated depreciation.

Other plant and equipment forecast to be purchased after that date is recorded at forecast cost.

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

Accounting policy

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

Any such assets forecast to be acquired after that date are valued at forecast cost.

Forecast assumption

The value is assumed to be constant over the other forecast periods.

State highways

Accounting policy

State highways existing at the forecast finalisation date are recorded at depreciated replacement cost, based on the estimated present cost of constructing the existing asset by the most appropriate method of construction. State highways forecast to be developed after that date are valued at forecast cost.

Land associated with the state highways is valued using an opportunity cost based on adjacent use, as an approximation of net current value.

Forecast assumption

The value is assumed to be constant over the other forecast periods.

Commercial forests

Accounting policy

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

Forecast assumption

Commercial forests are valued at an estimate of net current value using discounted cash flow techniques. Post-tax cash flows and three-year rolling average log prices have been used. Log prices are assumed to be constant over the forecast period.

Intangible assets

Accounting policy

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

Forecast assumption

The value is assumed to be constant over the other forecast periods.

Liabilities

Borrowings

Accounting policy

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

Borrowings forecast to be raised after that date are recorded at forecast cost.

Forecast assumption

Forecasts of borrowings incorporate a number of technical assumptions regarding the use of the Crown's fiscal surplus for domestic debt reduction. These assumptions may not reflect the actual future composition of the domestic debt programmes, as these decisions have yet to be made.

Foreign monetary liabilities

Accounting policy

Foreign monetary liabilities existing at the forecast finalisation date and subject to forward exchange contracts are translated at contract rates. Other foreign-currency monetary liabilities are translated at exchange rates prevailing on 31 March 1999.

Forecast assumption

For forecasting purposes, the exchange rates prevailing on 31 March 1999 are assumed to prevail throughout the other forecast periods.

Pension liabilities

Forecast assumption

Forecasts of Government Superannuation Fund pension liabilities in respect of the contributory service of superannuation scheme members are based on financial assumptions applied to the latest actuarial value of the Crown's liability for pension payments net of the scheme's assets, adjusted in future years for any projected changes in demographic assumptions.

Currency issued

Accounting policy

Currency (including demonetised currency) issued at the forecast finalisation date or forecast to be issued after that date is recognised at face value. Forecast unissued currency stocks are reported as inventory (at cost) and expensed when they are forecast to be issued.

The face value of collectors' currency is recorded as a contingent liability.

Leases

Accounting policy

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

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

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

Compensated absences

Accounting policy

Forecast liabilities for annual leave are recognised as they are forecast to accrue to employees. Provision is also made for forecast long-service and retiring leave obligations to employees.

Other liabilities

Accounting policy

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

Commitments

The commitments reported in these forecast financial statements are **actual** commitments at 31 March 1999.

Existing commitments include operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included.

Specific Fiscal Risks

Accounting policy

The specific fiscal risks reported in these forecast financial statements are the **actual** risks **existing at 30 April 1999** and contingent liabilities as at 31 March 1999. They include existing contingent liabilities, which are recognised at the point the contingency is evident. The Statement of Specific Fiscal Risks has been prepared in accordance with sections 10(3)(b) and 11 of the Fiscal Responsibility Act 1994.

Changes in Accounting Policies

All policies have been applied on a consistent basis during the forecast period except for a change to the accounting policy in relation to the Accident Rehabilitation and Compensation Insurance Corporation (ARCIC).

Up until 30 June 1999 the Crown incorporated ARCIC on the basis of the accounting policy of recognising revenue and expenses on a pay-as-you-go basis. The future costs of past claims were not recognised in ARCIC's or the Crown's financial statements, but instead were accumulated as an unfunded liability and recorded as a note to the financial statements. (See Note 9 page 82 of the 30 June 1998 Crown Financial Statements.)

As at 30 June 1999, ARCIC is to recognise the ACC outstanding claims obligation (future cost of past claims) in its financial statements, and from 1 July 1999, the future costs of new claims will be recognised. Revenue will also be recognised on a consistent basis. The impact of this is to significantly reduce the Crown's investment in its State-owned enterprises and Crown entities by the amount of the liability recognised, net of an adjustment to revenue.

There have been no other changes in accounting policy from those used in the Crown Financial Statements for the year ended 30 June 1998.

Changes in Forecast Assumptions

Changes to the forecast assumptions used for the last set of forecasts published in the 1998 *December Update* are outlined on page 105.

Notes to the Forecast Financial Statements

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
NOTE 1: Direct Taxation						
Income Tax						
Individuals						
Source deductions	12,773	12,606	12,325	12,859	13,357	14,053
Other persons	3,243	3,299	3,008	3,061	3,291	3,587
Refunds	(687)	(685)	(704)	(652)	(666)	(672)
Fringe benefit tax	340	348	334	345	355	366
Total Individuals	15,669	15,568	14,963	15,613	16,337	17,334
Companies						
Gross companies	3,819	4,465	4,008	4,481	4,867	4,920
Refunds	(98)	(125)	(120)	(106)	(119)	(110)
Total Companies	3,721	4,340	3,888	4,375	4,748	4,810
Withholding Taxes						
Residents' interest income	961	954	885	660	766	898
Non-residents' income	662	664	692	643	701	729
Residents' dividend income	42	31	32	35	38	40
Foreign-source dividends	205	45	28	40	42	44
Total Withholding Taxes	1,870	1,694	1,637	1,378	1,547	1,711
Total Income Tax	21,260	21,602	20,488	21,366	22,632	23,855
Other Direct Taxation						
Estate and gift duties	..	1	2	2	2	2
Total Other Direct Taxation	..	1	2	2	2	2
Total Direct Taxation	21,260	21,603	20,490	21,368	22,634	23,857

NOTE 2: Indirect Taxation

Goods and Services Tax						
Gross goods and services tax	12,301	12,933	12,605	13,176	13,761	14,385
Refunds	(4,271)	(4,572)	(4,390)	(4,542)	(4,751)	(4,949)
Total Goods and Services Tax	8,030	8,361	8,215	8,634	9,010	9,436
Excise Duties						
Petroleum fuels	786	801	833	840	853	865
Tobacco products	681	739	732	737	737	739
Alcoholic beverages	439	442	428	428	431	434
Total Excise Duties	1,906	1,982	1,993	2,005	2,021	2,038
Other Indirect Taxation						
Customs duty	750	663	540	567	539	540
Road user charges	466	490	469	501	533	561
Motor vehicle fees	158	162	167	169	173	179
Stamp, cheque and credit card duties	186	200	228	74	68	72
Gaming duties	139	139	160	157	163	171
Energy resources levies	87	98	94	90	89	89
Total Other Indirect Taxation	1,786	1,752	1,658	1,558	1,565	1,612
Total Indirect Taxation	11,722	12,095	11,866	12,197	12,596	13,086

Notes to the Forecast Financial Statements

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
NOTE 3: Investment Income						
Interest Income						
Marketable securities, deposits, mortgages and cash balances	390	386	333	317	340	357
Advances						
State-owned enterprises	33	21	21	21	11	11
Student loans	187	245	222	268	349	390
Other entities	36	55	42	39	38	38
Total Interest Income	646	707	618	645	738	796
Dividend Income						
State-owned enterprises	321	384	278	152	218	256
Other	77	152	203	130	111	133
Total Dividend Income	398	536	481	282	329	389
Other Investment Income						
Gains on marketable securities and deposits	110	..	54	..	..	..
Gain on sale of Contact Energy Limited	..	..	1,421	..	..	..
Gains on sale of airport companies	..	..	204	..	..	..
Other	..	..	..	..	..	..
Total Other Investment Income	110	..	1,679	..	..	..
Total Investment Income	1,154	1,243	2,778	927	1,067	1,185

NOTE 4: Other Operational Revenue

Recoveries from the Accident Rehabilitation and Compensation Insurance Corporation	147	155	159	109	109	110
Contributions to Government Superannuation Fund	82	53	69	46	39	36
Cost recovery income from Fisheries	36	33	31	31	31	31
Petroleum royalties	27	47	36	30	23	23
Income from Earthquake Commission	10	15	10	10	10	10
Other	118	77	108	66	68	67
Total Other Operational Revenue	420	380	413	292	280	277

Notes to the Forecast Financial Statements

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
NOTE 5: Expenses by Input Type						
Subsidies and transfer payments (see analysis below)	12,704	13,130	12,944	13,114	13,259	13,523
Operating expenses (see analysis below)	14,654	15,421	15,718	16,258	16,299	16,439
Personnel						
Personnel expenses (excluding pension expenses)	2,500	2,483	2,564	2,548	2,500	2,464
Pension expenses	770	725	740	720	756	772
Movement in unfunded pension liability	(233)	48	(217)	(13)	(55)	(74)
Depreciation						
Physical assets	657	749	698	750	799	814
State highways	80	71	81	83	86	88
Rental and leasing costs	261	251	261	254	247	245
Loss/(gain) on sale of assets	1	..	(2)	..	..	..
Finance costs (see analysis below)	2,804	2,564	2,520	2,294	2,454	2,512
Net foreign-exchange losses on liabilities	1,621	..	205	..	..	..
Net foreign-exchange gains on assets	(1,608)	..	(256)	..	..	..
Provision for future initiatives	..	290	..	250	900	1,580
Contingency expense provision	..	100	..	100	100	100
Total Expenses	34,211	35,832	35,256	36,358	37,345	38,463
Analysis of Subsidies and Transfer Payments						
Social assistance grants						
New Zealand Superannuation	5,106	5,173	5,071	5,025	4,978	5,065
Community Wage	..	1,470	1,486	2,013	2,001	1,996
Unemployment Benefit	1,436	358	369	..	..	..
Domestic Purposes Benefit	1,501	1,529	1,451	1,472	1,520	1,582
Family Support	881	947	921	962	969	973
Student allowances	344	393	392	409	433	455
Other social assistance grants	3,065	2,894	2,904	2,865	2,980	3,074
Subsidies	164	149	133	138	139	139
Other transfer payments						
Official development assistance	195	204	204	213	223	223
Other	12	13	13	17	16	16
Total Subsidies and Transfer Payments	12,704	13,130	12,944	13,114	13,259	13,523
Analysis of Operating Expenses						
Education purchases						
Early childhood education	277	292	295	317	327	334
Primary and secondary education	2,978	3,209	3,126	3,332	3,388	3,434
Tertiary education and training	1,435	1,343	1,356	1,414	1,468	1,508
Health purchases	5,723	6,051	6,107	6,373	6,414	6,499
Science purchases	370	386	405	420	440	442
Other operating expenses	3,871	4,140	4,429	4,402	4,262	4,222
Total Operating Expenses	14,654	15,421	15,718	16,258	16,299	16,439
Analysis of Finance Costs						
Interest						
New Zealand dollars	2,408	2,217	2,132	1,973	2,127	2,178
Foreign currencies	320	324	347	298	304	311
Other finance costs	76	23	41	23	23	23
Total Finance Costs	2,804	2,564	2,520	2,294	2,454	2,512

Notes to the Forecast Financial Statements

(\$ million)	1998	1999	2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection

NOTE 6: Marketable Securities and Deposits

Marketable securities held for trading purposes	4,492	4,354	4,087	4,087	4,087	4,087
Marketable securities held for investment purposes	2,105	1,668	944	700	419	242
Foreign-currency deposits	2,124	1,206	1,338	1,072	1,044	665
New Zealand-dollar deposits	1,058	247	2,412	1,016	1,063	1,085
Reserve position at the International Monetary Fund	506	718	992	1,209	1,442	1,685
Total Marketable Securities and Deposits	10,285	8,193	9,773	8,084	8,055	7,764

NOTE 7: Advances

Advances to State-owned enterprises and Crown entities

Housing Corporation of New Zealand	382	382	172	195	195	195
Contact Energy Limited	228	216	..	..	..	..
Residual Health Management Unit	170	284	210	172	123	88
Terralink NZ Limited	3	3	3	..	..	..
Total Advances to State-owned enterprises and Crown entities	783	885	385	367	318	283

Other Advances

Student loans	2,470	3,040	3,061	3,703	4,371	5,007
Contact Energy Limited	..	..	217	116	116	46
Forestry encouragement loans	34	36	36	37	37	38
Maori development rural lending	30	40	36	42	52	61
Catchment authorities	11	9	9	8	7	6
Other	39	32	35	26	24	22
Total Other Advances	2,584	3,157	3,394	3,932	4,607	5,180

Total Advances

3,367	4,042	3,779	4,299	4,925	5,463
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NOTE 8: Receivables

Taxes receivable	3,926	4,198	3,932	3,987	4,050	4,120
Accounts receivable	824	684	846	776	799	839
Receivable from the sale and purchase of Maui gas	154	132	132	112	95	82
Prepayments	136	121	135	138	143	138
Total Receivables	5,040	5,135	5,045	5,013	5,087	5,179

Notes to the Forecast Financial Statements

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection

NOTE 9: Financial Interest in State-Owned Enterprises and Crown Entities

Surplus

State-owned enterprises	481	514	497	319	349	401
Crown entities	1,079	889	936	542	552	511
Total Surplus	1,560	1,403	1,433	861	901	912

Dividends and Other Distributions

State-owned enterprises	321	384	278	152	218	256
Crown entities	75	139	197	128	107	127
Total Dividends and Other Distributions	396	523	475	280	325	383

Net Equity

State-owned enterprises	5,343	5,947	4,627	4,979	5,110	5,255
Crown entities	13,679	14,593	7,422	7,985	8,294	8,487
Total Net Equity	19,022	20,540	12,049	12,964	13,404	13,742

Balance dates

All State-owned enterprises and significant Crown entities have a balance date of 30 June except for the following:

State-owned enterprises

Government Property Services Limited	31 March
New Zealand Post Limited	31 March
Television New Zealand Limited	31 December
Timberlands West Coast Limited	31 March

Significant Crown entities

School boards of trustees	31 December
Tertiary education institutions	31 December

Minority Interests

All State-owned enterprises and Crown entities are 100% owned by the Crown.

Accident Rehabilitation and Compensation Insurance Corporation (ARCIC) revenue and expense policy change

As indicated in the Statement of Accounting Policies, up until 30 June 1999 the Crown incorporated ARCIC on the basis of the accounting policy of recognising revenue and expenses on a pay-as-you-go basis. The future costs of past claims were not recognised in ARCIC's or the Crown's financial statements. As at 30 June 1999, ARCIC is to recognise the future costs of past claims in its financial statements, and from 1 July 1999, the future costs of new claims will be recognised. Revenue will be recognised on a consistent basis.

The initial recognition of these changes is recorded in the Statement of Movements in Equity. Future changes to the liability will be recorded through the Statement of Financial Performance.

The following table indicates the extent of the current obligation to be recognised and adjustment to revenue on 30 June 1999, and the forecast outstanding claims obligation over the remainder of the forecast period.

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
Forecast outstanding claims liability	7,595	7,577	7,658	7,828
Revenue recognition adjustment	(696)	..	..	..
Total Impact	6,899	7,577	7,658	7,828

Notes to the Forecast Financial Statements

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
NOTE 10: Physical Assets						
By Type						
Cost or Valuation						
Land	2,150	2,017	2,290	2,249	2,193	2,172
Buildings	8,024	8,652	8,382	8,786	9,071	9,323
Specialist military equipment	2,299	2,838	2,413	2,607	2,891	2,919
Other assets	2,495	2,334	2,504	2,510	2,515	2,512
Other plant and equipment	2,009	2,443	2,200	2,471	2,608	2,784
Total Cost or Valuation	16,977	18,284	17,789	18,623	19,278	19,710
Accumulated Depreciation						
Buildings	595	907	773	1,090	1,395	1,731
Specialist military equipment	261	414	360	503	659	829
Other assets	2	12	5	7	10	12
Other plant and equipment	1,157	1,473	1,198	1,428	1,676	1,925
Total Accumulated Depreciation	2,015	2,806	2,336	3,028	3,740	4,497
Net Book Value						
Land	2,150	2,017	2,290	2,249	2,193	2,172
Buildings	7,429	7,745	7,609	7,696	7,676	7,592
Specialist military equipment	2,038	2,424	2,053	2,104	2,232	2,090
Other assets	2,493	2,322	2,499	2,503	2,505	2,500
Other plant and equipment	852	970	1,002	1,043	932	859
Total Net Book Value	14,962	15,478	15,453	15,595	15,538	15,213
Movements						
Cost or Valuation						
Opening balance	16,224	17,166	16,977	17,789	18,623	19,278
Adjustment to opening balance	71	..	..	..	..	..
Net additions	655	1,118	761	834	655	432
Revaluations	27	..	51	..	..	..
Total Cost or Valuation	16,977	18,284	17,789	18,623	19,278	19,710
Accumulated Depreciation						
Opening balance	1,722	2,112	2,015	2,336	3,028	3,740
Adjustment to opening balance	71	..	..	..	..	..
Disposals	(125)	(55)	(218)	(58)	(87)	(57)
Depreciation charged for the period	657	749	698	750	799	814
Revaluations	(310)	..	(159)	..	..	..
Total Accumulated Depreciation	2,015	2,806	2,336	3,028	3,740	4,497
Net Physical Assets	14,962	15,478	15,453	15,595	15,538	15,213
By Holding						
Freehold assets	14,910	15,421	15,394	15,536	15,479	15,154
Leasehold assets	52	57	59	59	59	59
Net Physical Assets	14,962	15,478	15,453	15,595	15,538	15,213

Notes to the Forecast Financial Statements

(\$ million)	1998	1999		2000	2001	2002
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
NOTE 11: State Highways						
Cost or Valuation						
Opening balance	8,210	8,406	8,359	8,517	8,697	8,892
Net additions	153	224	158	180	195	212
Revaluations	(4)	..	..	..	..	..
Total Cost or Valuation	8,359	8,630	8,517	8,697	8,892	9,104
Accumulated Depreciation						
Opening balance	..	69	..	81	164	250
Depreciation charged for the period	80	71	81	83	86	88
Revaluations	(80)	..	..	..	..	..
Total Accumulated Depreciation	..	140	81	164	250	338
Total State Highways	8,359	8,490	8,436	8,533	8,642	8,766

NOTE 12: Payables and Provisions

Accounts payable	1,077	1,225	956	1,264	1,166	1,099
Accruals and provisions	1,388	1,083	1,121	771	864	793
Taxes repayable	1,316	1,272	1,285	1,285	1,285	1,285
National Provident Fund guarantee	451	451	423	423	423	423
National Provident Fund Board indemnity	96	96	96	96	96	96
Provisions for employee entitlements	311	299	380	365	349	349
Total Payables and Provisions	4,639	4,426	4,261	4,204	4,183	4,045

NOTE 13: Revaluation Reserve

Opening Balance	7,002	7,070	6,789	7,051	7,051	7,051
Net revaluations						
State-owned enterprises and Crown entities	(496)	..	60	..	..	..
Land and buildings	459	..	314	..	..	..
State highways	76	..	..	..	..	..
Specialist military equipment	..	..	(106)	..	..	..
Other assets	(122)	..	2	..	..	..
Total Net Revaluations	(83)	..	270	..	..	..
Transfer to accumulated operating balance	(130)	..	(8)	..	..	..
Closing Revaluation Reserve	6,789	7,070	7,051	7,051	7,051	7,051