

5 December 2012

**MEDIA STATEMENT**

**Embargoed until 10.00am, Wednesday 5 December 2012**

Fergus Welsh  
Chief Financial Officer  
The Treasury

**Financial Statements of the Government of New Zealand  
for the Four Months Ended 31 October 2012**

The *Financial Statements of the Government of New Zealand* for the four months ended 31 October 2012 were released by the Treasury today.

These financial statements are compared against forecast tracks based on the 2012 *Budget Economic and Fiscal Update (BEFU)* released on 24 May 2012.

In the four months to 31 October the **operating balance before gains and losses (OBEGAL) deficit** was \$169 million higher than forecast, at \$2.9 billion. Core Crown tax and interest revenue were both lower than expected, partially offset by lower core Crown expenses.

**Core Crown tax revenue** of \$17.9 billion was \$292 million or 1.6% lower than expected. This is a similar result to September, with most major types of tax revenue below forecast, except other individuals' tax revenue, which was higher than expected. In summary:

- GST was \$253 million lower than forecast, driven by private consumption levels that were lower than expected
- source deductions were \$191 million below forecast, due to weaker wage growth than anticipated, and
- other individuals' tax revenue was \$351 million higher than expected, reflecting an increase in the effective tax rate paid by non-incorporated businesses.

Other **core Crown revenue** was \$244 million lower than forecast, primarily due to lower-than-expected interest rates, resulting in lower interest revenue.

**Core Crown expenditure** of \$22.9 billion was \$343 million or 1.5% lower than forecast. Most areas recorded under-spends, with delays in some health spending (\$117 million), and lower than expected welfare costs (\$108 million) reflecting lower beneficiary numbers than anticipated. Education expenses and finance costs were also below forecast, \$72 million and \$69 million respectively.

Largely offsetting these under-spends were earthquake expenses, which were \$114 million higher than forecast due to land zoning decisions that were announced after the BEFU forecast was finalised.

While the OBEGAL deficit was higher than forecast, year-to-date gains made on the New Zealand Superannuation Fund and ACC's investment portfolios were around \$1.4 billion greater than expected, and an unforecast actuarial gain of \$228 million was also recorded on ACC's claims liability. These gains held the **operating balance deficit** to \$34 million, which was \$1.9 billion less than expected.

**Gross debt** and **Net debt** were close to forecast at \$81.5 billion (39.8% of GDP) and \$55.5 billion (27.1% of GDP) respectively.

|   | <i>Year to date</i>       |                             |                 |                 | <i>Full Year</i>            |
|---|---------------------------|-----------------------------|-----------------|-----------------|-----------------------------|
|   | <i>October</i>            | <i>October</i>              | <i>Variance</i> | <i>Variance</i> | <i>June</i>                 |
|   | <b>2012</b>               | <b>2012</b>                 | <i>to BEFU</i>  | <i>to BEFU</i>  | <b>2013</b>                 |
| <b>\$ million</b>                         | <b>Actual<sup>1</sup></b> | <b>Forecast<sup>1</sup></b> | <b>\$m</b>      | <b>%</b>        | <b>Forecast<sup>2</sup></b> |
| <b>Core Crown</b>                         |                           |                             |                 |                 |                             |
| Core Crown tax revenue                    | 17,917                    | 18,209                      | (292)           | (1.6)           | 58,251                      |
| Core Crown revenue                        | 19,727                    | 20,263                      | (536)           | (2.6)           | 64,191                      |
| Core Crown expenses                       | 22,946                    | 23,289                      | 343             | 1.5             | 73,732                      |
| Core Crown residual cash                  | (4,921)                   | (4,829)                     | (92)            | (1.9)           | (9,671)                     |
| Gross debt <sup>3</sup>                   | 81,503                    | 81,722                      | 219             | 0.3             | 79,972                      |
| <i>as a percentage of GDP</i>             | <b>39.8%</b>              | 40.0%                       |                 |                 | 36.7%                       |
| Net debt <sup>4</sup>                     | 55,466                    | 55,513                      | 47              | 0.1             | 61,265                      |
| <i>as a percentage of GDP</i>             | <b>27.1%</b>              | 27.1%                       |                 |                 | 28.1%                       |
| <b>Total Crown</b>                        |                           |                             |                 |                 |                             |
| Operating balance before gains and losses | (2,865)                   | (2,696)                     | (169)           | (6.3)           | (7,897)                     |
| Operating balance                         | (34)                      | (1,957)                     | 1,923           | 98.3            | (5,699)                     |
| Net worth                                 | 59,773                    | 57,792                      | 1,981           | 3.4             | 66,208                      |

1 Using GDP for the year ended 30 June 2012 of \$204,551 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2013 of \$217,870 million (Source: Treasury)

3 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills

4 Net core Crown debt excluding student loans and other advances

ENDS

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# Financial Statements of the Government of New Zealand

For the Four Months Ended  
31 October 2012



Prepared by the Treasury  
5 December 2012

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

New Zealand Government

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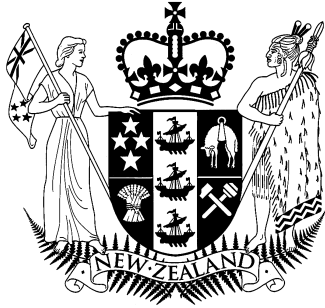
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## COMMENTARY

## S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance over the four months ended 31 October 2012 and its financial position as at that date.

The October results are reported against forecasts based on the *2012 Budget Economic and Fiscal Update (BEFU)*, published on 24 May 2012.

### At a Glance

**Table 1** – Key indicators for the four months ended 31 October 2012 compared to BEFU

| \$ million                                | Year to date        |                       |                     |                     | Full Year                     |
|---|---------------------|-----------------------|---------------------|---------------------|-------------------------------|
|   | October             | October               | Variance<br>to BEFU | Variance<br>to BEFU | June                          |
|   | 2012                | 2012                  |                     |                     | 2013                          |
|   | Actual <sup>1</sup> | Forecast <sup>1</sup> | \$m                 | %                   | BEFU<br>Forecast <sup>2</sup> |
| <b>Core Crown</b>                         |                     |                       |                     |                     |                               |
| Core Crown tax revenue                    | 17,917              | 18,209                | (292)               | (1.6)               | 58,251                        |
| Core Crown revenue                        | 19,727              | 20,263                | (536)               | (2.6)               | 64,191                        |
| Core Crown expenses                       | 22,946              | 23,289                | 343                 | 1.5                 | 73,732                        |
| Core Crown residual cash                  | (4,921)             | (4,829)               | (92)                | (1.9)               | (9,671)                       |
| Gross debt <sup>3</sup>                   | 81,503              | 81,722                | 219                 | 0.3                 | 79,972                        |
| <i>as a percentage of GDP</i>             | 39.8%               | 40.0%                 |                     |                     | 36.7%                         |
| Net debt <sup>4</sup>                     | 55,466              | 55,513                | 47                  | 0.1                 | 61,265                        |
| <i>as a percentage of GDP</i>             | 27.1%               | 27.1%                 |                     |                     | 28.1%                         |
| <b>Total Crown</b>                        |                     |                       |                     |                     |                               |
| Operating balance before gains and losses | (2,865)             | (2,696)               | (169)               | (6.3)               | (7,897)                       |
| Operating balance                         | (34)                | (1,957)               | 1,923               | 98.3                | (5,699)                       |
| Net worth                                 | 59,773              | 57,792                | 1,981               | 3.4                 | 66,208                        |

1 Using GDP for the year ended 30 June 2012 of \$204,551 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2013 of \$217,870 million (Source: Treasury)

3 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills

4 Net core Crown debt excluding student loans and other advances

*Core Crown includes Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank of New Zealand but excludes State-owned enterprises and Crown entities.*

### Results for the four months ended 31 October 2012

**Core Crown tax revenue** at \$17,917 million was \$292 million (1.6%) lower than forecast. The results were similar to September, with most major tax types being below forecast, except for other individuals' tax. In summary:

- weaker than forecast private consumption led to \$253 million (5.0%) lower GST
- weaker than forecast wage growth led to \$191 million (2.6%) lower source deductions, and
- other individuals' tax revenue was \$351 million (46.6%) higher than forecast. Tighter collection and enforcement policies by IRD are considered to be a factor, resulting in a higher effective tax rate being paid by non-incorporated business.

Other **core Crown revenue** was \$244 million lower than forecast, the main component being interest revenue, which was \$173 million lower than anticipated primarily due to interest rates being lower than forecast.



**Core Crown expenditure** of \$22,946 million was \$343 million or 1.5% lower than forecast. Most areas recorded under-spends, with delays in some health spending (\$117 million), and lower than expected welfare costs (\$108 million) reflecting lower beneficiary numbers than anticipated. Education expenses and finance costs were also below forecast, \$72 million and \$69 million respectively.

Largely offsetting these under-spends were earthquake expenses, which were \$114 million higher than forecast due to land zoning decisions that were announced after the BEFU forecast was finalised.

The **OBEGAL deficit** was \$2,865 million, \$169 million higher than expected. The higher deficit was largely driven by the core Crown segment results discussed above.

Adding in the year-to-date net gains, the **operating balance deficit** was \$34 million, \$1,923 million lower than the forecast deficit of \$1,957 million. The largest gains related to the NZS Fund and ACC investment portfolios, around \$1.9 billion in total (\$1.4 billion above forecast). These gains were largely attributable to continued strengthening of global and NZ equity markets. In addition, ACC recorded an unforecast actuarial gain of \$228 million on its claims liability.

**Gross debt** at \$81,503 million was \$219 million (0.3%) lower than forecast, while **Net debt** at \$55,466 million was on forecast at 27.1% of GDP.

Further analysis of the October results follows.

## ANALYSIS

**Table 2** – Key indicator variances for the four months ended 31 October 2012 compared to *BEFU*:

| Item/indicator      | Variance <sup>1</sup>                   | Key drivers   |
|---------------------|---|---|
| <b>Core Crown</b>   |   |   |
| Core Crown revenue  | -\$536 million<br>(lower than forecast) | <p>Core Crown tax revenue was \$292m or 1.6% lower than forecast, with the results for most tax types being lower than expected. The main variances were:</p> <ul style="list-style-type: none"> <li>• GST was \$253m (5.0%) lower than forecast due to weakness in private consumption, reflected in CPI and retail trade survey data for the September quarter which were lower than anticipated. This weakness is expected to persist through the year.</li> <li>• Source deductions were \$191m (2.6%) lower than forecast due to weaker than anticipated wage growth which resulted in lower PAYE. This trend is also expected to persist to the end of the year.</li> <li>• Other indirect taxes were \$86m (14.2%) lower than expected, primarily due to Road User Charges (RUC). RUC were \$73m below forecast because revenue increases forecast to arise from a recent change to the RUC regime have not followed as quickly as expected. This is thought to be a timing issue and should reverse before the end of the financial year.</li> </ul> <p>Offsetting these results was other individuals' tax which was \$351m (46.6%) above forecast. Tighter collection and enforcement policies by IRD are considered to be a factor, resulting in a higher effective tax rate being paid by non-incorporated business. The variance is expected to continue widening during the year, albeit at a slower pace.</p> <p>In addition to the tax revenue result, core Crown interest income was \$173m lower than anticipated mainly due to lower interest rates than forecast.</p> |
| Core Crown expenses | \$343 million<br>(lower than forecast)  | <p>Core Crown expenses were 1.5% lower than forecast at \$22,946m. This result was mainly due to:</p> <ul style="list-style-type: none"> <li>• Health expenses were \$117m lower than forecast, with delays in some projects and programmes contributing to the variance.</li> <li>• Social assistance benefits were \$108m lower than forecast across a number of benefit types. This was mainly due to fewer than expected benefit recipients.</li> <li>• Education expenses were \$72m lower than forecast. This related to lower departmental expenses and lower expenditure across a number of school programmes. Lower than expected full-time teacher equivalent numbers also contributed to this underspend.</li> <li>• Finance costs were \$69m lower than expected, mainly due to interest rates being lower than forecast.</li> </ul> <p>Offsetting the "underspends", earthquake expenses were \$114m higher than expected due to four land zoning decisions that were announced after the forecast was finalised.</p>  |

<sup>1</sup> Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

| Item/indicator                                    | Variance <sup>1</sup>                     | Key drivers  |
|---|---|--|
| Core Crown residual cash deficit                  | -\$92 million<br>(higher than forecast)   | <p>At \$4,921m, the core Crown residual cash deficit was \$92m bigger than forecast.</p> <p>Core Crown tax receipts were \$664m lower than expected. The receipts shortfall was bigger than that for tax revenue, particularly for GST and corporate tax. GST receipts were impacted by the weakness in private consumption discussed above, but also by general volatility in the timing of GST receipts. Similarly, terminal tax receipts were lower than expected as more corporate taxpayers adopted tax pooling.</p> <p>Partially offsetting the tax receipts shortfall, personnel and operating payments were \$304m lower than forecast across a number of departments, and capital payments for purchases of assets and advances were also \$187m lower than expected.</p> |
| Gross debt  | \$219 million<br>(lower than forecast)    | Gross debt was close to forecast at \$81,503m (0.3% lower than forecast).  |
| Net Debt  | \$47 million<br>(lower than forecast)     | Net debt was also close to forecast at \$55,466m (0.1% lower than expected).   |
| <b>Total Crown</b>                                |   |  |
| Operating balance before gains and losses deficit | -\$169 million<br>(higher than forecast)  | The OBEGAL deficit was \$2,865m, \$169m higher than expected. This was largely driven by core Crown segment results (revenue \$536m lower than forecast, partly offset by expenses \$343m lower), with SOE and Crown Entity results rounding out the \$24m difference.   |
| Operating balance deficit                         | \$1,923 million<br>(lower than forecast)  | <p>Including net gains, which were \$2,092m greater than expected, the operating balance deficit was \$1,923m lower than forecast. The largest contributors were:</p> <ul style="list-style-type: none"> <li>Gains on the NZS Fund and ACC investment portfolios were \$724m and \$660m higher than forecast respectively, largely due to continued strengthening of global and NZ equity markets.</li> <li>In addition, ACC recorded an actuarial gain on its liability for outstanding claims that was \$228m above forecast. This was due to a small increase in the discount rate since the forecast assumption was made.</li> </ul>   |
| Net worth   | \$1,981 million<br>(higher than forecast) | Net worth was higher than expected, reflecting the lower-than-forecast operating deficit result (detailed above).  |

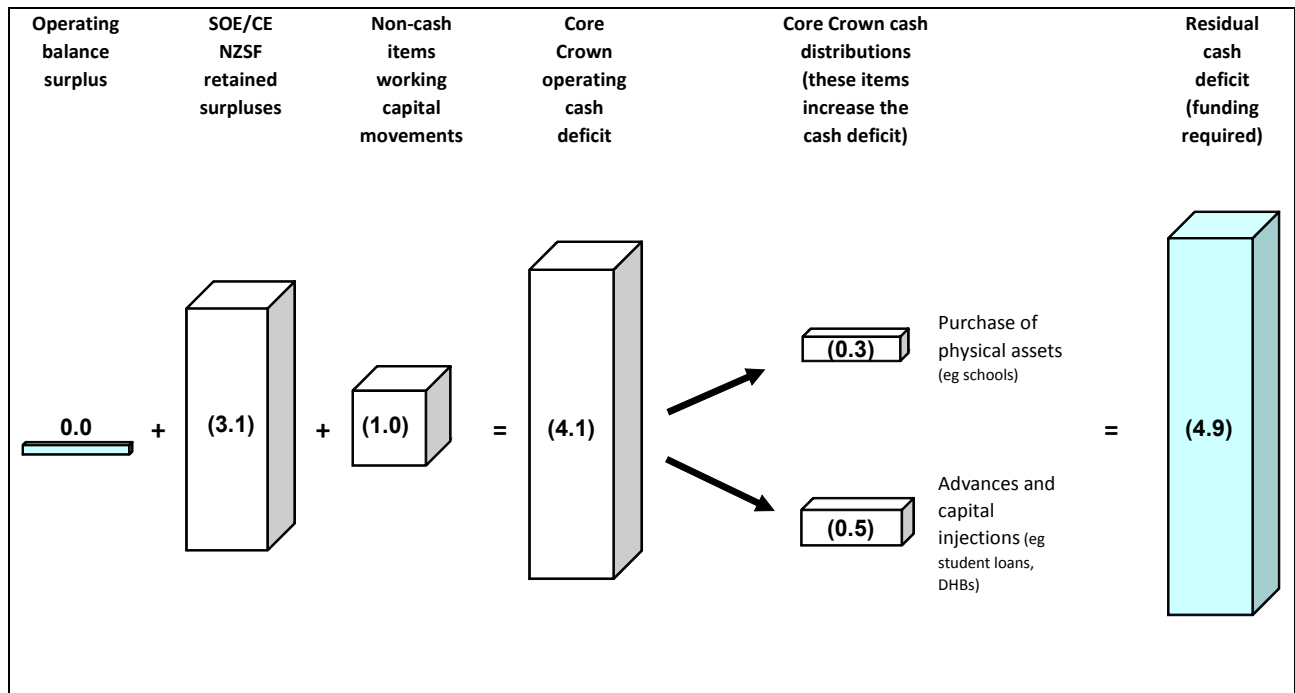
**Table 3 – Fiscal Strategy and financial results**

| Fiscal Strategy   |                       | Financial Results  |  | Ref          | 31 Oct<br>2012<br>Actual<br>\$m | 31 Oct<br>2012<br>Forecast<br>\$m | Variance<br>\$m | Variance<br>% | Annual<br>Forecast<br>\$m |
|---|-----------------------|--|--|--------------|---------------------------------|-----------------------------------|-----------------|---------------|---------------------------|
|   |                       | Taxation as a % of GDP   |  | 1            | 26.3%                           | 26.7%                             |                 |               | 26.7%                     |
| <b>Operating revenue</b><br>Ensure sufficient operating revenue to meet the operating balance objective   |                       | Core Crown taxation revenue ...  |  |              | 17,917                          | 18,209                            | (292)           | (1.6)         | 58,251                    |
|   |                       | ... combined with other core Crown revenue ...   |  |              | 1,810                           | 2,054                             | (244)           | (11.9)        | 5,940                     |
| <b>Operating expenses</b><br>To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP   |                       | ... fund core Crown expenses...  |  |              | (22,946)                        | (23,289)                          | 343             | 1.5           | (73,732)                  |
|   |                       | ... and with SOE and Crown entity results and core Crown gains and losses...                     |  |              | 3,185                           | 1,069                             | 2,116           | 197.9         | 3,842                     |
| <b>Operating balance</b><br>Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective |                       | ... result in an operating surplus or deficit...   |  |              | (34)                            | (1,957)                           | 1,923           | 98.3          | (5,699)                   |
|   |                       | ...with income in SOEs, CEs and the NZS Fund retained...   |  |              | (3,082)                         | (1,076)                           | (2,006)         | (186.4)       | (3,864)                   |
|   |                       | ... and some items do not impact cash ...  |  |              | (1,013)                         | (817)                             | (196)           | (24.0)        | 2,849                     |
|   |                       | ... leaving operating cash flows to ...  |  |              | <b>(4,129)</b>                  | <b>(3,850)</b>                    | <b>(279)</b>    | <b>(7.2)</b>  | <b>(6,714)</b>            |
|   |                       | ... meet the capital expenditure budget ...  |  |              | (328)                           | (409)                             | 81              | 19.8          | (2,093)                   |
|   |                       | ... and make advances (e.g. to students and DHBs)  |  |              | (464)                           | (570)                             | 106             | 18.6          | (864)                     |
|   |                       | With the residual cash ...   |  |              | <b>(4,921)</b>                  | <b>(4,829)</b>                    | <b>(92)</b>     | <b>(1.9)</b>  | <b>(9,671)</b>            |
| <b>Debt</b><br>Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and then brought back to a level no higher than 20% of GDP by 2020   |                       | ... when combined with opening net debt ...  |  |              | 50,671                          | 50,671                            | -               | -             | 50,671                    |
|   |                       | ... and fair value movements and other changes in financial assets and financial liabilities ... |  |              | (126)                           | 13                                | 139             | -             | 923                       |
|   |                       | ... results in a closing net debt ...  |  |              | <b>55,466</b>                   | <b>55,513</b>                     | <b>47</b>       | <b>0.1</b>    | <b>61,265</b>             |
|   | ... and as a % of GDP |  |  | <b>27.1%</b> | <b>27.1%</b>                    |                                   |                 | <b>28.1%</b>  |                           |

<sup>1</sup> GDP for the four months ended 31 October 2012 (actual and forecast) is the actual data for the year ended 30 June 2012 (Source: Statistics New Zealand) pro-rated for four months.

**Figure 1** – Application of core Crown cash flows (\$billions)

This diagram shows how the Operating Balance translates into cash available to the core Crown and how this cash was spent.



## YEAR - ON - YEAR PERSPECTIVE

**Table 4** – Comparison with previous year

|  | October<br>2012<br>Actual<br>\$m | October<br>2011<br>Actual<br>\$m | Change <sup>1</sup><br>\$m | Change<br>%  |
|--|----------------------------------|----------------------------------|----------------------------|--------------|
| <b>Statement of Financial Performance</b>                |                                  |                                  |                            |              |
| <b>Core Crown revenue</b>                                |                                  |                                  |                            |              |
| Taxation revenue   | 17,917                           | 17,357                           | 560                        | 3.2          |
| Other revenue  | 1,810                            | 1,514                            | 296                        | 19.6         |
| <b>Total Core Crown Revenue</b>                          | <b>19,727</b>                    | <b>18,871</b>                    | <b>856</b>                 | <b>4.5</b>   |
| <b>Core Crown expenses</b>                               |                                  |                                  |                            |              |
| Social security and welfare                              | 7,563                            | 7,382                            | 181                        | 2.5          |
| GSF pension expenses                                     | 104                              | 67                               | 37                         | 55.2         |
| Health   | 4,743                            | 4,667                            | 76                         | 1.6          |
| Education  | 3,993                            | 3,982                            | 11                         | 0.3          |
| Core government services                                 | 1,405                            | 1,335                            | 70                         | 5.2          |
| Law and order  | 1,127                            | 1,128                            | (1)                        | (0.1)        |
| Defence  | 586                              | 596                              | (10)                       | (1.7)        |
| Transport and communications                             | 636                              | 630                              | 6                          | 1.0          |
| Economic and industrial services                         | 705                              | 766                              | (61)                       | (8.0)        |
| Primary services   | 196                              | 201                              | (5)                        | (2.5)        |
| Heritage, culture and recreation                         | 443                              | 659                              | (216)                      | (32.8)       |
| Housing and community development                        | 139                              | 151                              | (12)                       | (7.9)        |
| Other  | 108                              | 173                              | (65)                       | (37.6)       |
| Finance costs  | 1,198                            | 1,295                            | (97)                       | (7.5)        |
| <b>Total Core Crown Expenses</b>                         | <b>22,946</b>                    | <b>23,032</b>                    | <b>(86)</b>                | <b>(0.4)</b> |
| Net surplus of SOE/CE's (and inter-segment eliminations) | 354                              | 801                              | (447)                      | (55.8)       |
| <b>OBEGAL</b>  | <b>(2,865)</b>                   | <b>(3,360)</b>                   | <b>495</b>                 | <b>14.7</b>  |
| Total gains/(losses)                                     | 2,764                            | (4,176)                          | 6,940                      | 166.2        |
| Other operating items                                    | 67                               | 83                               | (16)                       | (19.3)       |
| <b>Operating Balance</b>                                 | <b>(34)</b>                      | <b>(7,453)</b>                   | <b>7,419</b>               | <b>99.5</b>  |
| <b>Core Crown residual cash</b>                          | <b>(4,921)</b>                   | <b>(5,536)</b>                   | <b>615</b>                 | <b>11.1</b>  |
| <b>Debt indicators</b>                                   |                                  |                                  |                            |              |
| <b>Gross debt<sup>2</sup></b>                            | <b>81,503</b>                    | <b>74,969</b>                    | <b>6,534</b>               | <b>8.7</b>   |
| <b>Net debt<sup>3</sup></b>                              | <b>55,466</b>                    | <b>45,810</b>                    | <b>9,656</b>               | <b>21.1</b>  |

<sup>1</sup> Due to the seasonal nature of some expenditure it is not appropriate to annualise these changes.

<sup>2</sup> Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

<sup>3</sup> Net core Crown debt excluding NZS Fund, student loans and other advances.

## Revenue and Expenses

**Core Crown taxation revenue** for the four months ended 31 October 2012 increased by \$0.6 billion (3.2%) on the same period last year. Other individuals' tax was the largest contributor to the increase (up 67% on last year), with source deductions and GST also up on last year. The positive overall growth in revenue was partially offset by weaker growth in corporate tax.

Total **core Crown expenses** decreased by \$0.1 billion (0.4%) on the same period last year. The significant movements in core Crown functional expenses were as follows:

| Functional expense               | Movement from previous year | Main drivers of the change   |
|----------------------------------|-----------------------------|--|
| <b>Increases:</b>                |                             |  |
| Social security and welfare      | + \$181 million             | <ul style="list-style-type: none"> <li>• Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.</li> </ul>   |
| <b>Decreases:</b>                |                             |  |
| Heritage, culture and recreation | - \$216 million             | <ul style="list-style-type: none"> <li>• ETS expenses are lower than last year as fewer NZ units have been allocated to industries this year, particularly the forestry industry, as they received a one-off allocation of units if they opted into the scheme in previous years. In addition, reductions in the carbon price over the last 12 months have reduced the cost of units allocated under the ETS.</li> </ul> |
| Finance costs                    | - \$97 million              | <ul style="list-style-type: none"> <li>• Lower borrowing costs, mainly due to lower interest rates</li> </ul>  |
| Other functional classes         | + \$46 million              |  |
| <b>Total</b>                     | <b>- \$86 million</b>       |  |

The **surplus of SOE/CE's** was \$354 million for the first four months of this year, compared to \$801 million in the first four months of the 2011/12 financial year, the difference being mostly insurance-related.

**Total gains** were \$2,764 million in the four months to October 2012 due to strong returns on the Crown's investment portfolios. In contrast, weak global equity markets in the first four months of the 2011/12 financial year plus increases in the valuation of the Crown's long-term liabilities (eg, ACC and GSF) resulted in total losses of \$4,176 million to 31 October 2011.

## Debt

Both **net** and **gross debt** have increased as a result of the issuance of debt (primarily government stock) and the reduction in financial assets to meet cash deficits.







# FINANCIAL STATEMENTS

# STATEMENT OF ACCOUNTING POLICIES

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## 1 Reporting Entity

These financial statements are the consolidated financial statements for the Government reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Offices of Parliament
- New Zealand Superannuation Fund
- State-Owned Enterprises (SOEs)
- Departments
- Reserve Bank of New Zealand
- Crown Entities
- Air New Zealand Limited

A schedule of the entities that are included in the Government reporting entity was set out on pages 182 and 183 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2012* released on 10 October 2012.

With the exception of the 30 June 2012 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

## 2 General Accounting Policies

These financial statements comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests; and marketable securities, deposits and 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. All other policies have been applied consistently throughout the period.

## 3 Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:

<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

## 4 Forecasts

The forecasts in these financial statements have been derived from the forecasts released in the *BEFU*, on 24 May 2012.

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site:

<http://www.treasury.govt.nz/budget/forecasts/befu2012/112.htm>

## STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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### 5 Comparative Figures

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

### 6 Variance Percentages

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

### 7 Judgements and Estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future, as with the settlement of ACC outstanding claim obligations and Government Superannuation retirement benefits, depends critically on judgements regarding future cash flows, including inflation assumptions and the risk free discount rate used to calculate present values. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

A second area of uncertainty relates to the immature nature of the claims experience available to assist in estimating the claims and provisions arising from the Canterbury earthquakes. Actuarial valuations of these liabilities using the best available information have been used, however it is common in such cases for adjustments to be required as the claims experience develops.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# STATEMENT OF FINANCIAL PERFORMANCE

for the four months ended 31 October 2012

| Year<br>to 30 Jun<br>2012 | 4 months<br>to 31 Oct<br>2011 |   | Note | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|---------------------------|-------------------------------|---|------|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|                           |                               |   |      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
|                           |                               | <b>Revenue</b>  |      |                                 |                 |                 |              |                           |
| 54,665                    | 17,160                        | Taxation revenue  | 1    | 17,711                          | 18,025          | (314)           | (1.7)        | 57,663                    |
| 5,130                     | 1,564                         | Other sovereign revenue   | 1    | 1,704                           | 1,764           | (60)            | (3.4)        | 5,446                     |
| <b>59,795</b>             | <b>18,724</b>                 | <b>Total Revenue Levied through the Crown's Sovereign Power</b> |      | <b>19,415</b>                   | <b>19,789</b>   | <b>(374)</b>    | <b>(1.9)</b> | <b>63,109</b>             |
| 16,785                    | 5,699                         | Sales of goods and services                                     |      | 5,436                           | 5,777           | (341)           | (5.9)        | 16,337                    |
| 2,763                     | 931                           | Interest revenue and dividends                                  | 2    | 994                             | 1,142           | (148)           | (13.0)       | 3,376                     |
| 4,140                     | 1,044                         | Other revenue   |      | 1,161                           | 1,127           | 34              | 3.0          | 3,481                     |
| <b>23,688</b>             | <b>7,674</b>                  | <b>Total revenue earned through the Crown's operations</b>      |      | <b>7,591</b>                    | <b>8,046</b>    | <b>(455)</b>    | <b>(5.7)</b> | <b>23,194</b>             |
| <b>83,483</b>             | <b>26,398</b>                 | <b>Total revenue (excluding gains)</b>                          |      | <b>27,006</b>                   | <b>27,835</b>   | <b>(829)</b>    | <b>(3.0)</b> | <b>86,303</b>             |
|                           |                               | <b>Expenses</b>   |      |                                 |                 |                 |              |                           |
| 22,354                    | 7,483                         | Social assistance and official development assistance           | 3    | 7,633                           | 7,788           | 155             | 2.0          | 23,218                    |
| 19,475                    | 6,389                         | Personnel expenses  | 4    | 6,617                           | 6,579           | (38)            | (0.6)        | 19,676                    |
| 6,350                     | 1,465                         | Depreciation and amortisation                                   | 5    | 1,400                           | 1,406           | 6               | 0.4          | 4,687                     |
| 35,678                    | 12,022                        | Other operating expenses  | 5    | 11,744                          | 12,346          | 602             | 4.9          | 38,929                    |
| 4,290                     | 1,390                         | Interest expenses   | 6    | 1,414                           | 1,552           | 138             | 8.9          | 4,663                     |
| 4,576                     | 1,009                         | Insurance expenses  | 7    | 1,063                           | 981             | (82)            | (8.4)        | 3,289                     |
| -                         | -                             | Forecast new operating spending                                 | 5    | -                               | -               | -               | -            | 348                       |
| -                         | -                             | Top-down expense adjustment                                     | 5    | -                               | (121)           | (121)           | (100.0)      | (700)                     |
| <b>92,723</b>             | <b>29,758</b>                 | <b>Total expenses (excluding losses)</b>                        |      | <b>29,871</b>                   | <b>30,531</b>   | <b>660</b>      | <b>2.2</b>   | <b>94,110</b>             |
| -                         | -                             | Forgone profits from partial share sales                        |      | -                               | -               | -               | -            | (90)                      |
| <b>(9,240)</b>            | <b>(3,360)</b>                | <b>Operating balance before gains/(losses)</b>                  |      | <b>(2,865)</b>                  | <b>(2,696)</b>  | <b>(169)</b>    | <b>(6.3)</b> | <b>(7,897)</b>            |
| 692                       | (1,267)                       | Net gains/(losses) on financial instruments                     | 8    | 2,374                           | 560             | 1,814           | 323.9        | 1,735                     |
| (6,526)                   | (2,909)                       | Net gains/(losses) on non-financial instruments                 | 9    | 390                             | 95              | 295             | 310.5        | 201                       |
| <b>(5,834)</b>            | <b>(4,176)</b>                | <b>Total gains/(losses)</b>                                     |      | <b>2,764</b>                    | <b>655</b>      | <b>2,109</b>    | <b>322.0</b> | <b>1,936</b>              |
| 233                       | 83                            | Net surplus/(deficit) from associates and joint ventures        |      | 63                              | 84              | (21)            | (25.0)       | 262                       |
| <b>(14,841)</b>           | <b>(7,453)</b>                | <b>Operating balance from continuing activities</b>             |      | <b>(38)</b>                     | <b>(1,957)</b>  | <b>1,919</b>    | <b>98.1</b>  | <b>(5,699)</b>            |
| -                         | -                             | Gain/(loss) from discontinued operations                        |      | 4                               | -               | 4               | -            | -                         |
| (56)                      | -                             | Attributable to minority interests                              |      | -                               | -               | -               | -            | -                         |
| <b>(14,897)</b>           | <b>(7,453)</b>                | <b>Operating balance</b>  | 10   | <b>(34)</b>                     | <b>(1,957)</b>  | <b>1,923</b>    | <b>98.3</b>  | <b>(5,699)</b>            |

The accompanying notes and accounting policies are an integral part of these statements.

# STATEMENT OF COMPREHENSIVE INCOME

for the four months ended 31 October 2012

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |              |                           |
|--|--|---|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            | Annual<br>Forecast<br>\$m |
| (14,841)                                   | (7,453)  | <b>Operating Balance (including minority interest)</b>                        | <b>(34)</b>                     | <b>(1,957)</b>  | <b>1,923</b>    | <b>98.3</b>  | <b>(5,609)</b>            |
|  |  | <b>Other comprehensive income</b>   |                                 |                 |                 |              |                           |
| (6,461)                                    | (37)   | Revaluation of physical assets  | (22)                            | (12)            | (10)            | (83.3)       | -                         |
| 108  | 132  | Effective portion of changes in value of cash flow hedges                     | (81)                            | (59)            | (22)            | (37.3)       | (3)                       |
| 54   | 1  | Net change in fair value of cash flow hedges transferred to operating balance | -                               | -               | -               | -            | -                         |
| (19)                                       | (8)  | Net change in fair value of cash flow hedges transferred to the hedged item   | (2)                             | 4               | (6)             | (150.0)      | -                         |
| (2)  | 7  | Foreign currency translation differences for foreign operations               | 94                              | 16              | 78              | 487.5        | 55                        |
| 13   | 9  | Valuation gains/(losses) on investments available for sale taken to reserves  | 39                              | 17              | 22              | 129.4        | 10                        |
| 1  | 2  | Other movements   | (1)                             | 3               | (4)             | (133.3)      | 2                         |
| <b>(6,306)</b>                             | <b>106</b>                                     | <b>Total other comprehensive income</b>                                       | <b>27</b>                       | <b>(31)</b>     | <b>58</b>       | <b>187.1</b> | <b>64</b>                 |
| <b>(21,147)</b>                            | <b>(7,347)</b>                                 | <b>Total comprehensive income</b>   | <b>(7)</b>                      | <b>(1,988)</b>  | <b>1,981</b>    | <b>99.6</b>  | <b>(5,545)</b>            |
|  |  | <b>Attributable to:</b>   |                                 |                 |                 |              |                           |
| 84   | -  | - minority interest   | -                               | -               | -               | -            | 90                        |
| (21,231)                                   | (7,347)  | - the Crown   | (7)                             | (1,988)         | 1,981           | 99.6         | (5,635)                   |
| <b>(21,147)</b>                            | <b>(7,347)</b>                                 | <b>Total comprehensive income</b>   | <b>(7)</b>                      | <b>(1,988)</b>  | <b>1,981</b>    | <b>99.6</b>  | <b>(5,545)</b>            |

The accompanying notes and accounting policies are an integral part of these statements.

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the four months ended 31 October 2012

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m |  | Current Year Actual vs Forecast |                 |                 |            | Annual<br>Forecast<br>\$m |
|--|--|--|---------------------------------|-----------------|-----------------|------------|---------------------------|
|  |  |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          |                           |
|  |  | <b>Total Crown expenses</b>                  |                                 |                 |                 |            |                           |
| 25,457                                     | 8,388  | Social security and welfare                  | 8,655                           | 8,778           | 123             | 1.4        | 26,912                    |
| 197  | 69   | GSF pension expenses                         | 106                             | 107             | 1               | 0.9        | 340                       |
| 13,650                                     | 4,528  | Health                                       | 4,610                           | 4,730           | 120             | 2.5        | 14,013                    |
| 12,407                                     | 4,454  | Education                                    | 4,478                           | 4,575           | 97              | 2.1        | 13,164                    |
| 5,305                                      | 1,285  | Core government services                     | 1,438                           | 1,319           | (119)           | (9.0)      | 6,459                     |
| 3,592                                      | 1,175  | Law and order                                | 1,174                           | 1,200           | 26              | 2.2        | 3,779                     |
| 1,693                                      | 578  | Defence                                      | 574                             | 584             | 10              | 1.7        | 1,973                     |
| 10,259                                     | 2,762  | Transport and communications                 | 2,859                           | 2,770           | (89)            | (3.2)      | 8,801                     |
| 10,018                                     | 2,851  | Economic and industrial services             | 2,594                           | 2,891           | 297             | 10.3       | 7,900                     |
| 1,588                                      | 564  | Primary services                             | 506                             | 584             | 78              | 13.4       | 1,830                     |
| 3,215                                      | 1,133  | Heritage, culture and recreation             | 972                             | 987             | 15              | 1.5        | 3,022                     |
| 627  | 408  | Housing and community development            | 383                             | 424             | 41              | 9.7        | 1,115                     |
| 425  | 173  | Other  | 108                             | 151             | 43              | 28.5       | 491                       |
| 4,290                                      | 1,390  | Finance costs                                | 1,414                           | 1,552           | 138             | 8.9        | 4,663                     |
| -  | -  | Forecast new operating spending              | -                               | -               | -               | -          | 348                       |
| -  | -  | Top-down expense adjustment                  | -                               | (121)           | (121)           | (100.0)    | (700)                     |
| <b>92,723</b>                              | <b>29,758</b>                                  | <b>Total Crown expenses excluding losses</b> | <b>29,871</b>                   | <b>30,531</b>   | <b>660</b>      | <b>2.2</b> | <b>94,110</b>             |

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |            | Annual<br>Forecast<br>\$m |
|--|--|---|---------------------------------|-----------------|-----------------|------------|---------------------------|
|  |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          |                           |
|  |  | <b>Core Crown expenses</b>                  |                                 |                 |                 |            |                           |
| 22,028                                     | 7,382  | Social security and welfare                 | 7,563                           | 7,671           | 108             | 1.4        | 23,239                    |
| 192  | 67   | GSF pension expenses                        | 104                             | 104             | -               | -          | 329                       |
| 14,160                                     | 4,667  | Health                                      | 4,743                           | 4,860           | 117             | 2.4        | 14,745                    |
| 11,654                                     | 3,982  | Education                                   | 3,993                           | 4,065           | 72              | 1.8        | 12,387                    |
| 5,428                                      | 1,335  | Core government services                    | 1,405                           | 1,328           | (77)            | (5.8)      | 6,537                     |
| 3,403                                      | 1,128  | Law and order                               | 1,127                           | 1,149           | 22              | 1.9        | 3,558                     |
| 1,736                                      | 596  | Defence                                     | 586                             | 598             | 12              | 2.0        | 2,016                     |
| 2,232                                      | 630  | Transport and communications                | 636                             | 632             | (4)             | (0.6)      | 2,174                     |
| 2,157                                      | 766  | Economic and industrial services            | 705                             | 722             | 17              | 2.4        | 2,134                     |
| 648  | 201  | Primary services                            | 196                             | 239             | 43              | 18.0       | 832                       |
| 1,632                                      | 659  | Heritage, culture and recreation            | 443                             | 466             | 23              | 4.9        | 1,548                     |
| (130)                                      | 151  | Housing and community development           | 139                             | 158             | 19              | 12.0       | 328                       |
| 425  | 173  | Other                                       | 108                             | 151             | 43              | 28.5       | 491                       |
| 3,511                                      | 1,295  | Finance costs                               | 1,198                           | 1,267           | 69              | 5.4        | 3,766                     |
| -  | -  | Forecast new operating spending             | -                               | -               | -               | -          | 348                       |
| -  | -  | Top-down expense adjustment                 | -                               | (121)           | (121)           | (100.0)    | (700)                     |
| <b>69,076</b>                              | <b>23,032</b>                                  | <b>Core Crown expenses excluding losses</b> | <b>22,946</b>                   | <b>23,289</b>   | <b>343</b>      | <b>1.5</b> | <b>73,732</b>             |

The accompanying notes and accounting policies are an integral part of these statements.

# STATEMENT OF CASH FLOWS

for the four months ended 31 October 2012

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |                | Annual<br>Forecast<br>\$m |
|--|--|---|---------------------------------|-----------------|-----------------|----------------|---------------------------|
|  |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %              |                           |
|  |  | <b>Cash Flows From Operations</b>                             |                                 |                 |                 |                |                           |
|  |  | <b>Cash was provided from</b>                                 |                                 |                 |                 |                |                           |
| 53,582                                     | 16,591   | Taxation receipts   | 17,310                          | 17,983          | (673)           | (3.7)          | 56,856                    |
| 4,890                                      | 1,742  | Other sovereign receipts                                      | 1,881                           | 1,602           | 279             | 17.4           | 4,729                     |
| 16,812                                     | 5,548  | Sales of goods and services                                   | 5,795                           | 6,015           | (220)           | (3.7)          | 16,369                    |
| 2,603                                      | 890  | Interest and dividends  | 973                             | 1,109           | (136)           | (12.3)         | 3,106                     |
| 4,395                                      | 1,425  | Other operating receipts                                      | 2,004                           | 2,065           | (61)            | (3.0)          | 7,172                     |
| <b>82,282</b>                              | <b>26,196</b>                                  | <b>Total cash provided from operations</b>                    | <b>27,963</b>                   | <b>28,774</b>   | <b>(811)</b>    | <b>(2.8)</b>   | <b>88,232</b>             |
|  |  | <b>Cash was disbursed to</b>                                  |                                 |                 |                 |                |                           |
|  |  | Social assistance and official development assistance         | 8,188                           | 8,329           | 141             | 1.7            | 23,284                    |
| 22,840                                     | 8,323  | Personnel and operating payments                              | 20,655                          | 21,205          | 550             | 2.6            | 62,535                    |
| 59,107                                     | 20,805   | Interest payments   | 1,341                           | 1,471           | 130             | 8.8            | 4,797                     |
| 3,954                                      | 1,159  | Forecast new operating spending                               | -                               | -               | -               | -              | 348                       |
| -  | -  | Top-down expense adjustment                                   | -                               | (121)           | (121)           | (100.0)        | (700)                     |
| <b>85,901</b>                              | <b>30,287</b>                                  | <b>Total cash disbursed to operations</b>                     | <b>30,184</b>                   | <b>30,884</b>   | <b>700</b>      | <b>2.3</b>     | <b>90,264</b>             |
| <b>(3,619)</b>                             | <b>(4,091)</b>                                 | <b>Net cash flows from operations</b>                         | <b>(2,221)</b>                  | <b>(2,110)</b>  | <b>(111)</b>    | <b>(5.3)</b>   | <b>(2,032)</b>            |
|  |  | <b>Cash Flows From Investing Activities</b>                   |                                 |                 |                 |                |                           |
|  |  | <b>Cash was provided from/(disbursed to)</b>                  |                                 |                 |                 |                |                           |
| (5,766)                                    | (1,735)  | Net purchase of physical assets                               | (1,622)                         | (1,913)         | 291             | 15.2           | (7,039)                   |
| 424  | (468)  | Net purchase of shares and other securities                   | 283                             | 2,489           | (2,206)         | (88.6)         | 7,692                     |
| (567)                                      | (138)  | Net purchase of intangible assets                             | (146)                           | (187)           | 41              | 21.9           | (515)                     |
| (1,284)                                    | (165)  | Net (issue)/repayment of advances                             | (650)                           | (320)           | (330)           | (103.1)        | (1,840)                   |
| (115)                                      | 20   | Net acquisition of investments in associates                  | 127                             | 5               | 122             | -              | 1,510                     |
| -  | -  | Forecast new capital spending                                 | -                               | -               | -               | -              | (194)                     |
| -  | -  | Top-down capital adjustment                                   | -                               | 15              | (15)            | (100.0)        | 100                       |
| <b>(7,308)</b>                             | <b>(2,486)</b>                                 | <b>Net cash flows from investing activities</b>               | <b>(2,008)</b>                  | <b>89</b>       | <b>(2,097)</b>  | <b>-</b>       | <b>(286)</b>              |
| <b>(10,927)</b>                            | <b>(6,577)</b>                                 | <b>Net cash flows from operating and investing activities</b> | <b>(4,229)</b>                  | <b>(2,021)</b>  | <b>(2,208)</b>  | <b>(109.3)</b> | <b>(2,318)</b>            |
|  |  | <b>Cash Flows From Financing Activities</b>                   |                                 |                 |                 |                |                           |
|  |  | <b>Cash was provided from/(disbursed to)</b>                  |                                 |                 |                 |                |                           |
| 203  | 203  | Issues of circulating currency                                | 140                             | 19              | 121             | -              | 144                       |
| 7,554                                      | 6,011  | Net issue/(repayment) of Government bonds                     | 7,569                           | 5,182           | 2,387           | 46.1           | 3,709                     |
| (6,422)                                    | (3,071)  | Net issue/(repayment) of foreign currency borrowing           | 33                              | (187)           | 220             | 117.6          | (623)                     |
| 10,353                                     | 7,009  | Net issue/(repayment) of other New Zealand dollar borrowing   | (1,717)                         | (2,364)         | 647             | 27.4           | (1,434)                   |
| (7)  | -  | Dividends paid to minority interests                          | -                               | -               | -               | -              | (50)                      |
| <b>11,681</b>                              | <b>10,152</b>                                  | <b>Net cash flows from financing activities</b>               | <b>6,025</b>                    | <b>2,650</b>    | <b>3,375</b>    | <b>127.4</b>   | <b>1,746</b>              |
| <b>754</b>                                 | <b>3,575</b>                                   | <b>Net movement in cash</b>                                   | <b>1,796</b>                    | <b>629</b>      | <b>1,167</b>    | <b>185.5</b>   | <b>(572)</b>              |
| 9,801                                      | 9,801  | <b>Opening Cash Balance</b>                                   | 10,686                          | 10,686          | -               | -              | 14,899                    |
|  |  | Foreign-exchange gains/(losses) on opening cash               | (99)                            | 2,791           | (2,890)         | (103.5)        | -                         |
| 131  | 77   |   |                                 |                 |                 |                |                           |
| <b>10,686</b>                              | <b>13,453</b>                                  | <b>Closing Cash Balance</b>                                   | <b>12,383</b>                   | <b>14,106</b>   | <b>(1,723)</b>  | <b>(12.2)</b>  | <b>14,327</b>             |

The accompanying notes and accounting policies are an integral part of these statements.

## STATEMENT OF CASH FLOWS (CONTINUED)

for the four months ended 31 October 2012

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m   | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m | Current Year Actual vs Forecast  |                 |                 |              |                           |                |
|--|--|--|-----------------|-----------------|--------------|---------------------------|----------------|
|  |  | Actual<br>\$m  | Forecast<br>\$m | Variance<br>\$m | %            | Annual<br>Forecast<br>\$m |                |
| <b>Reconciliation Between the Net Cash Flows<br/>from Operations and the Operating Balance</b> |  |  |                 |                 |              |                           |                |
| (3,619)  | (4,091)  | <b>Net Cash Flows from Operations</b>  | <b>(2,221)</b>  | <b>(2,110)</b>  | <b>(111)</b> | <b>(5.3)</b>              | <b>(2,032)</b> |
|  |  | <i>Items included in the operating balance<br/>but not in net cash flows from operations</i> |                 |                 |              |                           |                |
|  |  | <b>Gains/(losses)</b>  |                 |                 |              |                           |                |
| 692  | (1,267)  | Gains/(losses) on financial instruments  | 2,374           | 560             | 1,814        | 323.9                     | 1,735          |
| (6,526)  | (2,909)  | Gains/(losses) on non-financial<br>instruments   | 390             | 95              | 295          | 310.5                     | 201            |
| <b>(5,834)</b>   | <b>(4,176)</b>                                 | <b>Total gains/(losses)</b>  | <b>2,764</b>    | <b>655</b>      | <b>2,109</b> | <b>322.0</b>              | <b>1,936</b>   |
| <b>Other Non-cash Items in Operating Balance</b>   |  |  |                 |                 |              |                           |                |
| (6,350)  | (1,465)  | Depreciation and amortisation  | (1,400)         | (1,406)         | 6            | 0.4                       | (4,687)        |
| (850)  | (233)  | Write-down on initial recognition of<br>financial assets                                     | (184)           | (214)           | 30           | 14.0                      | (748)          |
| 248  | 19   | Impairment of financial assets<br>(excluding receivables)                                    | 1               | 11              | (10)         | (90.9)                    | 181            |
| 512  | 163  | Non-cash movement in defined benefit<br>retirement plan liabilities                          | 88              | 97              | (9)          | (9.3)                     | 405            |
| 1,070  | 1,942  | Non-cash movement in insurance liabilities   | 1,170           | 1,712           | (542)        | (31.7)                    | 2,985          |
| 232  | 84   | Other  | 63              | 80              | (17)         | (21.3)                    | 262            |
| <b>(5,138)</b>   | <b>510</b>                                     | <b>Total other non-cash items</b>  | <b>(262)</b>    | <b>280</b>      | <b>(542)</b> | <b>(193.6)</b>            | <b>(1,602)</b> |
| <b>Movements in Working Capital</b>  |  |  |                 |                 |              |                           |                |
| (242)  | (703)  | Increase/(decrease) in receivables   | (2,278)         | (3,103)         | 825          | 26.6                      | (3,767)        |
| (175)  | (190)  | Increase/(decrease) in accrued interest  | (51)            | (48)            | (3)          | (6.3)                     | 404            |
| (74)   | 11   | Increase/(decrease) in inventories   | 10              | 29              | (19)         | (65.5)                    | 59             |
| 32   | 140  | Increase/(decrease) in prepayments   | 193             | 28              | 165          | -                         | (44)           |
| (38)   | 67   | Decrease/(increase) in deferred revenue  | (10)            | 50              | (60)         | (120.0)                   | 32             |
| 191  | 979  | Decrease/(increase) in payables/provisions   | 1,821           | 2,262           | (441)        | (19.5)                    | (685)          |
| <b>(306)</b>   | <b>304</b>                                     | <b>Total movements in working capital</b>  | <b>(315)</b>    | <b>(782)</b>    | <b>467</b>   | <b>59.7</b>               | <b>(4,001)</b> |
| <b>(14,897)</b>  | <b>(7,453)</b>                                 | <b>Operating Balance</b>   | <b>(34)</b>     | <b>(1,957)</b>  | <b>1,923</b> | <b>98.3</b>               | <b>(5,699)</b> |

The accompanying notes and accounting policies are an integral part of these statements.



## STATEMENT OF CHANGES IN NET WORTH

for the four months ended 31 October 2012

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |             |                           |
|--|--|---|---------------------------------|-----------------|-----------------|-------------|---------------------------|
|  |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %           | Annual<br>Forecast<br>\$m |
| <b>80,887</b>                              | <b>80,887</b>                                  | <b>Opening net worth</b>  | <b>59,780</b>                   | <b>59,780</b>   | -               | -           | <b>70,303</b>             |
| (14,841)                                   | (7,453)  | Operating balance (including minority interest)                         | (34)                            | (1,957)         | 1,923           | 98.3        | (5,699)                   |
| (6,461)                                    | (37)   | Net revaluations  | (22)                            | (12)            | (10)            | (83.3)      | -                         |
| 80   | 142  | Transfers to/(from) reserves  | (42)                            | (42)            | -               | -           | (1)                       |
| 83   | 1  | (Gains)/losses transferred to the<br>statement of financial performance | -                               | -               | -               | -           | -                         |
| (8)  | 1  | Other movements   | 91                              | 23              | 68              | 295.7       | 65                        |
| <b>(21,147)</b>                            | <b>(7,346)</b>                                 | <b>Total comprehensive income</b>                                       | <b>(7)</b>                      | <b>(1,988)</b>  | <b>1,981</b>    | <b>99.6</b> | <b>(5,635)</b>            |
| -  | -  | Partial share sales in SOEs   | -                               | -               | -               | -           | 200                       |
| 40   | -  | Transactions with minority interests                                    | -                               | -               | -               | -           | 1,340                     |
| <b>59,780</b>                              | <b>73,541</b>                                  | <b>Closing net worth</b>  | <b>59,773</b>                   | <b>57,792</b>   | <b>1,981</b>    | <b>3.4</b>  | <b>66,208</b>             |

The accompanying notes and accounting policies are an integral part of these Statements.

# STATEMENT OF FINANCIAL POSITION

as at 31 October 2012

| As at<br>30 Jun<br>2012<br>Actual<br>\$m | As at<br>31 Oct<br>2011<br>Actual<br>\$m |   | Note | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|--|--|---|------|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |  |   |      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
| <b>Assets</b>                            |  |   |      |                                 |                 |                 |              |                           |
| 10,686                                   | 13,453                                   | Cash and cash equivalents                               | 11   | 12,383                          | 14,106          | (1,723)         | (12.2)       | 14,327                    |
| 20,956                                   | 20,355                                   | Receivables   | 11   | 19,309                          | 18,865          | 444             | 2.4          | 16,799                    |
| 48,385                                   | 45,323                                   | Marketable securities, deposits and derivatives in gain | 11   | 46,643                          | 42,715          | 3,928           | 9.2          | 36,197                    |
| 14,385                                   | 13,871                                   | Share investments                                       | 11   | 14,859                          | 14,869          | (10)            | (0.1)        | 15,853                    |
| 21,766                                   | 21,111                                   | Advances  | 11   | 22,386                          | 22,288          | 98              | 0.4          | 23,895                    |
| 1,234                                    | 1,319                                    | Inventory   |      | 1,244                           | 1,263           | (19)            | (1.5)        | 1,360                     |
| 2,134                                    | 2,121                                    | Other assets  |      | 2,365                           | 2,080           | 285             | 13.7         | 2,051                     |
| 108,584                                  | 115,386                                  | Property, plant & equipment                             | 12   | 108,872                         | 109,471         | (599)           | (0.5)        | 121,335                   |
| 9,483                                    | 9,537                                    | Equity accounted investments <sup>1</sup>               |      | 9,713                           | 9,633           | 80              | 0.8          | 9,967                     |
| 2,705                                    | 2,394                                    | Intangible assets and goodwill                          |      | 2,617                           | 2,755           | (138)           | (5.0)        | 2,571                     |
| -  | -  | Forecast for new capital spending                       |      | -                               | -               | -               | -            | 282                       |
| -  | -  | Top-down capital adjustment                             |      | -                               | (15)            | 15              | 100.0        | (350)                     |
| <b>240,318</b>                           | <b>244,870</b>                           | <b>Total assets</b>                                     |      | <b>240,391</b>                  | <b>238,030</b>  | <b>2,361</b>    | <b>1.0</b>   | <b>244,287</b>            |
| <b>Liabilities</b>                       |  |   |      |                                 |                 |                 |              |                           |
| 4,457                                    | 4,457                                    | Issued currency   |      | 4,597                           | 4,589           | (8)             | (0.2)        | 4,704                     |
| 11,604                                   | 11,202                                   | Payables  | 14   | 11,701                          | 10,489          | (1,212)         | (11.6)       | 13,503                    |
| 1,712                                    | 1,607                                    | Deferred revenue  |      | 1,722                           | 1,662           | (60)            | (3.6)        | 1,399                     |
| 100,534                                  | 96,322                                   | Borrowings  |      | 102,373                         | 103,607         | 1,234           | 1.2          | 103,207                   |
| 41,186                                   | 38,527                                   | Insurance liabilities                                   | 15   | 39,787                          | 39,474          | (313)           | (0.8)        | 36,919                    |
| 13,539                                   | 11,939                                   | Retirement plan liabilities                             |      | 13,451                          | 13,443          | (8)             | (0.1)        | 11,481                    |
| 7,506                                    | 7,275                                    | Provisions  | 16   | 6,987                           | 6,974           | (13)            | (0.2)        | 6,866                     |
| <b>180,538</b>                           | <b>171,329</b>                           | <b>Total liabilities</b>                                |      | <b>180,618</b>                  | <b>180,238</b>  | <b>(380)</b>    | <b>(0.2)</b> | <b>178,079</b>            |
| <b>59,780</b>                            | <b>73,541</b>                            | <b>Total assets less total liabilities</b>              |      | <b>59,773</b>                   | <b>57,792</b>   | <b>1,981</b>    | <b>3.4</b>   | <b>66,208</b>             |
| <b>Net Worth</b>                         |  |   |      |                                 |                 |                 |              |                           |
| 3,520                                    | 10,756                                   | Taxpayer funds  | 17   | 3,516                           | 1,571           | 1,945           | 123.8        | 2,144                     |
| 56,001                                   | 62,634                                   | Revaluation reserve                                     | 17   | 55,948                          | 55,985          | (37)            | (0.1)        | 62,550                    |
| (173)                                    | (157)                                    | Other reserves  | 17   | (123)                           | (196)           | 73              | 37.2         | (134)                     |
| <b>59,348</b>                            | <b>73,233</b>                            | <b>Total net worth attributable to the Crown</b>        |      | <b>59,341</b>                   | <b>57,360</b>   | <b>1,981</b>    | <b>3.5</b>   | <b>64,560</b>             |
| 432                                      | 308                                      | Net worth attributable to minority interest             |      | 432                             | 432             | -               | -            | 1,648                     |
| <b>59,780</b>                            | <b>73,541</b>                            | <b>Total net worth</b>                                  |      | <b>59,773</b>                   | <b>57,792</b>   | <b>1,981</b>    | <b>3.4</b>   | <b>66,208</b>             |

1. Tertiary education institutions constitute most equity accounted investments.

The accompanying notes and accounting policies are an integral part of these statements.

# STATEMENT OF BORROWINGS

as at 31 October 2012

| As at<br>30 Jun<br>2012<br>Actual<br>\$m | As at<br>31 Oct<br>2011<br>Actual<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |  |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
| 53,850                                   | 48,715                                   | Government bonds <sup>1</sup>  | 57,354                          | 58,527          | 1,173           | 2.0          | 57,296                    |
| 8,954                                    | 8,238                                    | Treasury bills   | 5,943                           | 5,540           | (403)           | (7.3)        | 4,700                     |
| 229                                      | 255                                      | Government retail stock  | 214                             | 252             | 38              | 15.1         | 251                       |
| 5,917                                    | 7,739                                    | Settlement deposits with Reserve Bank  | 6,939                           | 6,244           | (695)           | (11.1)       | 6,244                     |
| 2,807                                    | 2,945                                    | Derivatives in loss  | 2,854                           | 2,542           | (312)           | (12.3)       | 2,401                     |
| 1,515                                    | 1,161                                    | Finance lease liabilities  | 1,445                           | 1,478           | 33              | 2.2          | 1,471                     |
| 27,262                                   | 27,269                                   | Other borrowings   | 27,624                          | 29,024          | 1,400           | 4.8          | 30,844                    |
| <b>100,534</b>                           | <b>96,322</b>                            | <b>Total borrowings</b>  | <b>102,373</b>                  | <b>103,607</b>  | <b>1,234</b>    | <b>1.2</b>   | <b>103,207</b>            |
| 75,701                                   | 72,810                                   | Sovereign-guaranteed debt  | 77,390                          | 77,954          | 564             | 0.7          | 76,212                    |
| 24,833                                   | 23,512                                   | Non sovereign-guaranteed debt  | 24,983                          | 25,653          | 670             | 2.6          | 26,995                    |
| <b>100,534</b>                           | <b>96,322</b>                            | <b>Total borrowings</b>  | <b>102,373</b>                  | <b>103,607</b>  | <b>1,234</b>    | <b>1.2</b>   | <b>103,207</b>            |
|  |  | <b>Net Debt:</b>   |                                 |                 |                 |              |                           |
| 84,680                                   | 81,796                                   | Core Crown borrowings <sup>2</sup>   | 87,607                          | 87,056          | (551)           | (0.6)        | 85,674                    |
| (512)                                    | (514)                                    | Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings                      | (625)                           | (516)           | 109             | 21.1         | (884)                     |
| <b>84,168</b>                            | <b>81,282</b>                            | <b>Gross sovereign-issued debt<sup>3</sup></b>   | <b>86,982</b>                   | <b>86,540</b>   | <b>(442)</b>    | <b>(0.5)</b> | <b>84,790</b>             |
| 64,017                                   | 64,731                                   | Less core Crown financial assets <sup>4</sup>  | 62,564                          | 62,262          | 302             | 0.5          | 56,569                    |
| <b>20,151</b>                            | <b>16,551</b>                            | <b>Net core Crown debt</b>   | <b>24,418</b>                   | <b>24,278</b>   | <b>(140)</b>    | <b>(0.6)</b> | <b>28,221</b>             |
| 13,324                                   | 12,543                                   | Core crown advances  | 13,147                          | 13,420          | 273             | 2.0          | 13,894                    |
| <b>33,475</b>                            | <b>29,094</b>                            | <b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>   | <b>37,565</b>                   | <b>37,698</b>   | <b>133</b>      | <b>0.4</b>   | <b>42,115</b>             |
| 17,196                                   | 16,716                                   | Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>   | 17,901                          | 17,815          | (86)            | (0.5)        | 19,150                    |
| <b>50,671</b>                            | <b>45,810</b>                            | <b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>                              | <b>55,466</b>                   | <b>55,513</b>   | <b>47</b>       | <b>0.1</b>   | <b>61,265</b>             |
|  |  | <b>Gross Debt:</b>   |                                 |                 |                 |              |                           |
| 84,168                                   | 81,282                                   | Gross sovereign-issued debt <sup>3</sup>   | 86,982                          | 86,540          | (442)           | (0.5)        | 84,790                    |
| (6,133)                                  | (7,913)                                  | Less Reserve Bank settlement cash and Reserve Bank bills   | (7,079)                         | (6,418)         | 661             | 10.3         | (6,418)                   |
| 1,600                                    | 1,600                                    | Add back changes to DMO borrowing due to settlement cash <sup>8</sup>                            | 1,600                           | 1,600           | -               | -            | 1,600                     |
| <b>79,635</b>                            | <b>74,969</b>                            | <b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills</b> | <b>81,503</b>                   | <b>81,722</b>   | <b>219</b>      | <b>0.3</b>   | <b>79,972</b>             |

## Notes on gross and net debt:

- Government bonds includes \$395 million of infrastructure bonds.
- Core Crown borrowings in this instance includes unsettled purchases of securities (classified as accounts payable in the statement of financial position).
- Gross Sovereign-Issued Debt (GSID) represents debt issued by the sovereign (the core Crown) and includes Government stock held by the New Zealand Superannuation Fund (NZS Fund), ACC and EQC.
- Core Crown financial assets exclude receivables.
- Net Core Crown Debt represents GSID less financial assets. This can provide information about the sustainability of the Government's accounts, and is used by some international agencies when determining the creditworthiness of a country.
- Adding back the NZS Fund assets provides the financial liabilities less financial assets of the Core Crown, excluding those assets set aside to meet part of the future cost of New Zealand superannuation.
- Net Core Crown Debt (excluding NZS Fund and advances) excludes financial assets which are held for public policy rather than treasury management purposes.
- The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the NZ Debt Management Office borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

The accompanying notes and accounting policies are an integral part of these statements.

## STATEMENT OF COMMITMENTS

as at 31 October 2012

|                                      | As at<br>31 Oct<br>2012<br>\$m | As at<br>30 Jun<br>2012<br>\$m | As at<br>31 Oct<br>2011<br>\$m |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Capital Commitments</b>           |                                |                                |                                |
| Specialist military equipment        | 166                            | 239                            | 400                            |
| Land and buildings                   | 719                            | 697                            | 623                            |
| Other property, plant and equipment  | 6,261                          | 6,001                          | 7,027                          |
| Other capital commitments            | 744                            | 572                            | 425                            |
| Tertiary Education Institutions      | 255                            | 255                            | 413                            |
| <b>Total capital commitments</b>     | <b>8,145</b>                   | <b>7,764</b>                   | <b>8,888</b>                   |
| <b>Operating Commitments</b>         |                                |                                |                                |
| Non-cancellable accommodation leases | 2,668                          | 2,719                          | 2,906                          |
| Other non-cancellable leases         | 3,496                          | 3,549                          | 3,008                          |
| Tertiary Education Institutions      | 282                            | 282                            | 366                            |
| <b>Total operating commitments</b>   | <b>6,446</b>                   | <b>6,550</b>                   | <b>6,280</b>                   |
| <b>Total commitments</b>             | <b>14,591</b>                  | <b>14,314</b>                  | <b>15,168</b>                  |
| <b>Total Commitments by Segment</b>  |                                |                                |                                |
| Core Crown                           | 11,091                         | 15,685                         | 13,941                         |
| Crown entities                       | 6,603                          | 7,753                          | 8,786                          |
| State-owned Enterprises              | 5,422                          | 5,300                          | 6,658                          |
| Inter-segment eliminations           | (8,525)                        | (14,424)                       | (14,217)                       |
| <b>Total commitments</b>             | <b>14,591</b>                  | <b>14,314</b>                  | <b>15,168</b>                  |

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 October 2012

|   | As at<br>31 Oct<br>2012<br>\$m | As at<br>30 Jun<br>2012<br>\$m | As at<br>31 Oct<br>2011<br>\$m |
|---|--------------------------------|--------------------------------|--------------------------------|
| <b>Quantifiable Contingent Liabilities</b>                  |                                |                                |                                |
| Guarantees and indemnities                                  | 186                            | 430                            | 77                             |
| Uncalled capital  | 6,140                          | 6,327                          | 4,051                          |
| Legal proceedings and disputes                              | 444                            | 411                            | 377                            |
| Other contingent liabilities                                | 405                            | 584                            | 2,766                          |
| <b>Total quantifiable contingent liabilities</b>            | <b>7,175</b>                   | <b>7,752</b>                   | <b>7,271</b>                   |
| <b>Total Quantifiable Contingent Liabilities by Segment</b> |                                |                                |                                |
| Core Crown  | 6,983                          | 7,622                          | 7,039                          |
| Crown entities  | 81                             | 40                             | 174                            |
| State-owned Enterprises                                     | 111                            | 90                             | 58                             |
| Inter-segment eliminations                                  | -                              | -                              | -                              |
| <b>Total quantifiable contingent liabilities</b>            | <b>7,175</b>                   | <b>7,752</b>                   | <b>7,271</b>                   |
| <b>Quantifiable Contingent Assets</b>                       |                                |                                |                                |
| Core Crown  | 221                            | 224                            | 702                            |
| Crown entities  | 161                            | 162                            | 20                             |
| State owned enterprises                                     | -                              | 24                             | -                              |
| Inter-segment eliminations                                  | -                              | -                              | -                              |
| <b>Total quantifiable contingent assets</b>                 | <b>382</b>                     | <b>410</b>                     | <b>722</b>                     |

A list of unquantified contingent liabilities (such as the Canterbury earthquakes) as at 30 June 2012 is included on the Treasury's website <http://www.treasury.govt.nz/government/financialstatements/yearend/jun12>

The accompanying notes and accounting policies are an integral part of these statements.

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|--|--|---|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
| <b>NOTE 1: Sovereign Revenue (Accrual)</b> |  |   |                                 |                 |                 |              |                           |
| <b>Taxation Revenue (accrual)</b>          |  |   |                                 |                 |                 |              |                           |
| <b>Individuals</b>                         |  |   |                                 |                 |                 |              |                           |
| 21,237                                     | 6,820  | Source deductions                             | 7,155                           | 7,347           | (192)           | (2.6)        | 22,563                    |
| 4,232                                      | 1,202  | Other persons                                 | 1,550                           | 1,230           | 320             | 26.0         | 4,386                     |
| (1,736)                                    | (685)  | Refunds                                       | (590)                           | (633)           | 43              | 6.8          | (1,567)                   |
| 462  | 144  | Fringe benefit tax                            | 144                             | 156             | (12)            | (7.7)        | 458                       |
| <b>24,195</b>                              | <b>7,481</b>                                   | <b>Total individuals</b>                      | <b>8,259</b>                    | <b>8,100</b>    | <b>159</b>      | <b>2.0</b>   | <b>25,840</b>             |
| <b>Corporate Tax</b>                       |  |   |                                 |                 |                 |              |                           |
| 8,310                                      | 2,580  | Gross companies tax                           | 2,273                           | 2,228           | 45              | 2.0          | 8,301                     |
| (202)                                      | (46)   | Refunds                                       | (50)                            | (47)            | (3)             | (6.4)        | (279)                     |
| 500  | 172  | Non-resident withholding tax                  | 91                              | 169             | (78)            | (46.2)       | 455                       |
| 4  | (1)  | Foreign-source dividend w/holding payments    | -                               | -               | -               | -            | -                         |
| <b>8,612</b>                               | <b>2,705</b>                                   | <b>Total corporate tax</b>                    | <b>2,314</b>                    | <b>2,350</b>    | <b>(36)</b>     | <b>(1.5)</b> | <b>8,477</b>              |
| <b>Other Income Tax</b>                    |  |   |                                 |                 |                 |              |                           |
| 1,679                                      | 513  | Resident w/holding tax on interest income     | 480                             | 514             | (34)            | (6.6)        | 1,673                     |
| 292  | 88   | Resident w/holding tax on dividend income     | 115                             | 132             | (17)            | (12.9)       | 375                       |
| <b>1,971</b>                               | <b>601</b>                                     | <b>Total other income tax</b>                 | <b>595</b>                      | <b>646</b>      | <b>(51)</b>     | <b>(7.9)</b> | <b>2,048</b>              |
| <b>34,778</b>                              | <b>10,787</b>                                  | <b>Total income tax</b>                       | <b>11,168</b>                   | <b>11,096</b>   | <b>72</b>       | <b>0.6</b>   | <b>36,365</b>             |
| <b>Goods and Services Tax</b>              |  |   |                                 |                 |                 |              |                           |
| 25,199                                     | 8,175  | Gross goods and services tax                  | 8,129                           | 8,544           | (415)           | (4.9)        | 26,795                    |
| (10,627)                                   | (3,507)  | Refunds                                       | (3,310)                         | (3,472)         | 162             | 4.7          | (11,052)                  |
| <b>14,572</b>                              | <b>4,668</b>                                   | <b>Total goods and services tax</b>           | <b>4,819</b>                    | <b>5,072</b>    | <b>(253)</b>    | <b>(5.0)</b> | <b>15,743</b>             |
| <b>Other Taxation</b>                      |  |   |                                 |                 |                 |              |                           |
| 1,045                                      | 338  | Road user charges                             | 350                             | 423             | (73)            | (17.3)       | 1,152                     |
| 847  | 280  | Petroleum fuels excise - domestic production  | 274                             | 312             | (38)            | (12.2)       | 939                       |
| 656  | 211  | Alcohol excise - domestic production          | 197                             | 223             | (26)            | (11.7)       | 698                       |
| 244  | 75   | Tobacco excise - domestic production          | 92                              | 69              | 23              | 33.3         | 223                       |
| 631  | 160  | Petroleum fuels excise - imports <sup>1</sup> | 211                             | 170             | 41              | 24.1         | 626                       |
| 241  | 91   | Alcohol excise - imports <sup>1</sup>         | 92                              | 94              | (2)             | (2.1)        | 249                       |
| 993  | 322  | Tobacco excise - imports <sup>1</sup>         | 288                             | 334             | (46)            | (13.8)       | 983                       |
| 173  | 66   | Other customs duty                            | 66                              | 63              | 3               | 4.8          | 179                       |
| 216  | 72   | Gaming duties                                 | 71                              | 79              | (8)             | (10.1)       | 231                       |
| 175  | 58   | Motor vehicle fees                            | 60                              | 59              | 1               | 1.7          | 170                       |
| 58   | 20   | Approved issuer levy and cheque duty          | 12                              | 19              | (7)             | (36.8)       | 69                        |
| 36   | 12   | Energy resources levies                       | 11                              | 12              | (1)             | (8.3)        | 36                        |
| <b>5,315</b>                               | <b>1,705</b>                                   | <b>Total other indirect taxation</b>          | <b>1,724</b>                    | <b>1,857</b>    | <b>(133)</b>    | <b>(7.2)</b> | <b>5,555</b>              |
| <b>19,887</b>                              | <b>6,373</b>                                   | <b>Total indirect taxation</b>                | <b>6,543</b>                    | <b>6,929</b>    | <b>(386)</b>    | <b>(5.6)</b> | <b>21,298</b>             |
| <b>54,665</b>                              | <b>17,160</b>                                  | <b>Total taxation revenue</b>                 | <b>17,711</b>                   | <b>18,025</b>   | <b>(314)</b>    | <b>(1.7)</b> | <b>57,663</b>             |
| <b>Other Sovereign Revenue (accrual)</b>   |  |   |                                 |                 |                 |              |                           |
| 3,695                                      | 1,212  | ACC levies                                    | 1,127                           | 1,110           | 17              | 1.5          | 3,395                     |
| 326  | 123  | Fire Service levies                           | 122                             | 123             | (1)             | (0.8)        | 313                       |
| 107  | 31   | EQC levies                                    | 66                              | 66              | -               | -            | 240                       |
| 1,002                                      | 198  | Other miscellaneous items                     | 389                             | 465             | (76)            | (16.3)       | 1,498                     |
| <b>5,130</b>                               | <b>1,564</b>                                   | <b>Total other sovereign revenue</b>          | <b>1,704</b>                    | <b>1,764</b>    | <b>(60)</b>     | <b>(3.4)</b> | <b>5,446</b>              |
| <b>59,795</b>                              | <b>18,724</b>                                  | <b>Total sovereign revenue</b>                | <b>19,415</b>                   | <b>19,789</b>   | <b>(374)</b>    | <b>(1.9)</b> | <b>63,109</b>             |

1. Customs excise-equivalent duty

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 Jun<br>2012                            | 4 months<br>to 31 Oct<br>2011 |  | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast<br>\$m |
|--|-------------------------------|--|---------------------------------|-----------------|-----------------|---------------|---------------------------|
|  |                               |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             |                           |
| <b>NOTE 1 (continued): Sovereign Receipts (Cash)</b> |                               |  |                                 |                 |                 |               |                           |
| <b>Income Tax Receipts (cash)</b>                    |                               |  |                                 |                 |                 |               |                           |
| <b>Individuals</b>                                   |                               |  |                                 |                 |                 |               |                           |
| 21,010   | 6,799                         | Source deductions                            | 7,139                           | 7,327           | (188)           | (2.6)         | 22,450                    |
| 4,720  | 1,238                         | Other persons                                | 1,375                           | 1,219           | 156             | 12.8          | 5,062                     |
| (2,468)  | (1,146)                       | Refunds                                      | (1,010)                         | (1,131)         | 121             | 10.7          | (2,493)                   |
| 458  | 205                           | Fringe benefit tax                           | 208                             | 215             | (7)             | (3.3)         | 457                       |
| <b>23,720</b>  | <b>7,096</b>                  | <b>Total individuals</b>                     | <b>7,712</b>                    | <b>7,630</b>    | <b>82</b>       | <b>1.1</b>    | <b>25,476</b>             |
| <b>Corporate Tax</b>                                 |                               |  |                                 |                 |                 |               |                           |
| 8,792  | 2,500                         | Gross companies tax                          | 2,520                           | 2,577           | (57)            | (2.2)         | 8,737                     |
| (814)  | (184)                         | Refunds                                      | (187)                           | (191)           | 4               | 2.1           | (756)                     |
| 434  | 164                           | Non-resident withholding tax                 | 97                              | 169             | (72)            | (42.6)        | 454                       |
| 4  | -                             | Foreign-source dividend w/holding payments   | -                               | -               | -               | -             | -                         |
| <b>8,416</b>   | <b>2,480</b>                  | <b>Total corporate tax</b>                   | <b>2,430</b>                    | <b>2,555</b>    | <b>(125)</b>    | <b>(4.9)</b>  | <b>8,435</b>              |
| <b>Other Income Tax</b>                              |                               |  |                                 |                 |                 |               |                           |
| 1,699  | 552                           | Resident w/holding tax on interest income    | 507                             | 573             | (66)            | (11.5)        | 1,672                     |
| 290  | 94                            | Resident w/holding tax on dividend income    | 124                             | 132             | (8)             | (6.1)         | 375                       |
| <b>1,989</b>   | <b>646</b>                    | <b>Total other income tax</b>                | <b>631</b>                      | <b>705</b>      | <b>(74)</b>     | <b>(10.5)</b> | <b>2,047</b>              |
| <b>34,125</b>  | <b>10,222</b>                 | <b>Total income tax</b>                      | <b>10,773</b>                   | <b>10,890</b>   | <b>(117)</b>    | <b>(1.1)</b>  | <b>35,958</b>             |
| <b>Goods and Services Tax</b>                        |                               |  |                                 |                 |                 |               |                           |
| 24,574   | 8,104                         | Gross goods and services tax                 | 8,232                           | 8,555           | (323)           | (3.8)         | 25,895                    |
| (10,435)   | (3,394)                       | Refunds                                      | (3,399)                         | (3,307)         | (92)            | (2.8)         | (10,552)                  |
| <b>14,139</b>  | <b>4,710</b>                  | <b>Total goods and services tax</b>          | <b>4,833</b>                    | <b>5,248</b>    | <b>(415)</b>    | <b>(7.9)</b>  | <b>15,343</b>             |
| <b>Other Taxation</b>                                |                               |  |                                 |                 |                 |               |                           |
| 1,048  | 342                           | Road user charges                            | 349                             | 423             | (74)            | (17.5)        | 1,152                     |
| 845  | 294                           | Petroleum fuels excise - domestic production | 281                             | 323             | (42)            | (13.0)        | 939                       |
| 654  | 215                           | Alcohol excise - domestic production         | 206                             | 218             | (12)            | (5.5)         | 698                       |
| 238  | 67                            | Tobacco excise - domestic production         | 86                              | 56              | 30              | 53.6          | 223                       |
| 2,057  | 607                           | Customs duty                                 | 622                             | 656             | (34)            | (5.2)         | 2,037                     |
| 216  | 73                            | Gaming duties                                | 74                              | 79              | (5)             | (6.3)         | 231                       |
| 169  | 28                            | Motor vehicle fees                           | 65                              | 59              | 6               | 10.2          | 170                       |
| 55   | 21                            | Approved issuer levy and cheque duty         | 10                              | 19              | (9)             | (47.4)        | 69                        |
| 36   | 12                            | Energy resources levies                      | 11                              | 12              | (1)             | (8.3)         | 36                        |
| <b>5,318</b>   | <b>1,659</b>                  | <b>Total other indirect taxation</b>         | <b>1,704</b>                    | <b>1,845</b>    | <b>(141)</b>    | <b>(7.6)</b>  | <b>5,555</b>              |
| <b>19,457</b>  | <b>6,369</b>                  | <b>Total indirect taxation</b>               | <b>6,537</b>                    | <b>7,093</b>    | <b>(556)</b>    | <b>(7.8)</b>  | <b>20,898</b>             |
| <b>53,582</b>  | <b>16,591</b>                 | <b>Total tax receipts collected</b>          | <b>17,310</b>                   | <b>17,983</b>   | <b>(673)</b>    | <b>(3.7)</b>  | <b>56,856</b>             |
| <b>Other Sovereign Receipts (cash)</b>               |                               |  |                                 |                 |                 |               |                           |
| 3,693  | 1,371                         | ACC levies                                   | 1,397                           | 1,123           | 274             | 24.4          | 3,413                     |
| 326  | 123                           | Fire Service levies                          | 122                             | 123             | (1)             | (0.8)         | 313                       |
| 134  | 35                            | EQC levies                                   | 101                             | 97              | 4               | 4.1           | 270                       |
| 737  | 213                           | Other miscellaneous items                    | 261                             | 259             | 2               | 0.8           | 733                       |
| <b>4,890</b>   | <b>1,742</b>                  | <b>Total other sovereign receipts</b>        | <b>1,881</b>                    | <b>1,602</b>    | <b>279</b>      | <b>17.4</b>   | <b>4,729</b>              |
| <b>58,472</b>  | <b>18,333</b>                 | <b>Total sovereign receipts</b>              | <b>19,191</b>                   | <b>19,585</b>   | <b>(394)</b>    | <b>(2.0)</b>  | <b>61,585</b>             |

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 Jun<br>2012 | 4 months<br>to 31 Oct<br>2011 |  | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast<br>\$m |
|---------------------------|-------------------------------|--|---------------------------------|-----------------|-----------------|---------------|---------------------------|
|                           |                               |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             |                           |
|                           |                               | <b>NOTE 2: Interest Revenue and Dividends</b>  |                                 |                 |                 |               |                           |
|                           |                               | <i>By type</i>                                 |                                 |                 |                 |               |                           |
| 2,293                     | 768                           | Interest revenue                               | 816                             | 993             | (177)           | (17.8)        | 2,885                     |
| 470                       | 163                           | Dividends                                      | 178                             | 149             | 29              | 19.5          | 491                       |
| <b>2,763</b>              | <b>931</b>                    | <b>Total interest revenue and dividends</b>    | <b>994</b>                      | <b>1,142</b>    | <b>(148)</b>    | <b>(13.0)</b> | <b>3,376</b>              |
|                           |                               | <i>By source</i>                               |                                 |                 |                 |               |                           |
| 1,795                     | 620                           | Core Crown                                     | 836                             | 967             | (131)           | (13.5)        | 2,397                     |
| 1,181                     | 393                           | Crown entities                                 | 425                             | 372             | 53              | 14.2          | 1,123                     |
| 858                       | 287                           | State-owned Enterprises                        | 288                             | 279             | 9               | 3.2           | 905                       |
| (1,071)                   | (369)                         | Inter-segment eliminations                     | (555)                           | (476)           | (79)            | (16.6)        | (1,049)                   |
| <b>2,763</b>              | <b>931</b>                    | <b>Total interest revenue and dividends</b>    | <b>994</b>                      | <b>1,142</b>    | <b>(148)</b>    | <b>(13.0)</b> | <b>3,376</b>              |
|                           |                               | <b>NOTE 3: Transfer Payments and Subsidies</b> |                                 |                 |                 |               |                           |
| 9,584                     | 3,152                         | New Zealand superannuation                     | 3,377                           | 3,386           | 9               | 0.3           | 10,243                    |
| 2,082                     | 742                           | Family tax credit                              | 697                             | 740             | 43              | 5.8           | 2,113                     |
| 1,811                     | 610                           | Domestic purposes benefit                      | 595                             | 615             | 20              | 3.3           | 1,820                     |
| 1,325                     | 447                           | Invalids benefit                               | 446                             | 445             | (1)             | (0.2)         | 1,321                     |
| 1,195                     | 399                           | Accommodation supplement                       | 396                             | 412             | 16              | 3.9           | 1,243                     |
| 883                       | 287                           | Unemployment benefit                           | 262                             | 284             | 22              | 7.7           | 881                       |
| 775                       | 258                           | Sickness benefit                               | 262                             | 263             | 1               | 0.4           | 781                       |
| 567                       | 188                           | In-work tax credit                             | 178                             | 183             | 5               | 2.7           | 565                       |
| 644                       | 277                           | Student allowances                             | 274                             | 280             | 6               | 2.1           | 602                       |
| 580                       | 192                           | Income related rents                           | 207                             | 205             | (2)             | (1.0)         | 626                       |
| 401                       | 136                           | Disability allowances                          | 131                             | 127             | (4)             | (3.1)         | 366                       |
| 1,309                     | 482                           | Other social assistance benefits               | 495                             | 505             | 10              | 2.0           | 1,470                     |
| <b>21,156</b>             | <b>7,170</b>                  | <b>Total social assistance grants</b>          | <b>7,320</b>                    | <b>7,445</b>    | <b>125</b>      | <b>1.7</b>    | <b>22,031</b>             |
|                           |                               | <b>Subsidies</b>                               |                                 |                 |                 |               |                           |
| 688                       | 220                           | KiwiSaver                                      | 231                             | 234             | 3               | 1.3           | 688                       |
|                           |                               | <b>Other transfer payments</b>                 |                                 |                 |                 |               |                           |
| 510                       | 93                            | Official development assistance                | 82                              | 109             | 27              | 24.8          | 499                       |
| <b>22,354</b>             | <b>7,483</b>                  | <b>Total transfer payments and subsidies</b>   | <b>7,633</b>                    | <b>7,788</b>    | <b>155</b>      | <b>2.0</b>    | <b>23,218</b>             |
|                           |                               | <b>NOTE 4: Personnel Expenses</b>              |                                 |                 |                 |               |                           |
| 5,915                     | 1,954                         | Core Crown                                     | 2,001                           | 2,010           | 9               | 0.4           | 6,003                     |
| 10,754                    | 3,493                         | Crown entities                                 | 3,642                           | 3,654           | 12              | 0.3           | 10,897                    |
| 2,819                     | 945                           | State-owned Enterprises                        | 978                             | 918             | (60)            | (6.5)         | 2,786                     |
| (13)                      | (3)                           | Inter-segment eliminations                     | (4)                             | (3)             | 1               | 33.3          | (10)                      |
| <b>19,475</b>             | <b>6,389</b>                  | <b>Total personnel expenses</b>                | <b>6,617</b>                    | <b>6,579</b>    | <b>(38)</b>     | <b>(0.6)</b>  | <b>19,676</b>             |
|                           |                               | <b>NOTE 5: Operating Expenses</b>              |                                 |                 |                 |               |                           |
|                           |                               | <i>By type</i>                                 |                                 |                 |                 |               |                           |
| 6,350                     | 1,465                         | Depreciation and amortisation                  | 1,400                           | 1,406           | 6               | 0.4           | 4,687                     |
| 35,678                    | 12,022                        | Other operating expenses                       | 11,744                          | 12,346          | 602             | 4.9           | 38,929                    |
| -                         | -                             | Forecast new operating spending                | -                               | -               | -               | -             | 348                       |
| -                         | -                             | Top-down expense adjustment                    | -                               | (121)           | (121)           | (100.0)       | (700)                     |
| <b>42,028</b>             | <b>13,487</b>                 | <b>Total operating expenses</b>                | <b>13,144</b>                   | <b>13,631</b>   | <b>487</b>      | <b>3.6</b>    | <b>43,264</b>             |
|                           |                               | <i>By source</i>                               |                                 |                 |                 |               |                           |
| 37,278                    | 12,294                        | Core Crown                                     | 12,096                          | 12,204          | 108             | 0.9           | 40,689                    |
| 17,897                    | 6,082                         | Crown entities                                 | 6,286                           | 6,388           | 102             | 1.6           | 18,062                    |
| 13,174                    | 3,810                         | State-owned Enterprises                        | 3,547                           | 3,976           | 429             | 10.8          | 11,173                    |
| (26,321)                  | (8,699)                       | Inter-segment eliminations                     | (8,785)                         | (8,937)         | (152)           | (1.7)         | (26,660)                  |
| <b>42,028</b>             | <b>13,487</b>                 | <b>Total operating expenses</b>                | <b>13,144</b>                   | <b>13,631</b>   | <b>487</b>      | <b>3.6</b>    | <b>43,264</b>             |

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 Jun<br>2012<br>Actual<br>\$m                   | 4 months<br>to 31 Oct<br>2011<br>Actual<br>\$m | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
| <b>NOTE 6: Interest Expenses</b>                             |  |                                 |                 |                 |              |                           |
| <i>By type</i>   |  |                                 |                 |                 |              |                           |
| 4,223  | 1,408  | 1,360                           | 1,533           | 173             | 11.3         | 4,610                     |
| 67   | (18)   | 54                              | 19              | (35)            | (184.2)      | 53                        |
| <b>4,290</b>   | <b>1,390</b>                                   | <b>1,414</b>                    | <b>1,552</b>    | <b>138</b>      | <b>8.9</b>   | <b>4,663</b>              |
| <i>By source</i>   |  |                                 |                 |                 |              |                           |
| 3,511  | 1,295  | 1,198                           | 1,267           | 69              | 5.4          | 3,766                     |
| 246  | 84   | 82                              | 81              | (1)             | (1.2)        | 247                       |
| 1,268  | 364  | 357                             | 379             | 22              | 5.8          | 1,254                     |
| (735)  | (353)  | (223)                           | (175)           | 48              | 27.4         | (604)                     |
| <b>4,290</b>   | <b>1,390</b>                                   | <b>1,414</b>                    | <b>1,552</b>    | <b>138</b>      | <b>8.9</b>   | <b>4,663</b>              |
| <b>NOTE 7: Insurance Expenses</b>                            |  |                                 |                 |                 |              |                           |
| <i>By entity</i>   |  |                                 |                 |                 |              |                           |
| 3,010  | 917  | 971                             | 984             | 13              | 1.3          | 3,300                     |
| 1,073  | 27   | 79                              | 24              | (55)            | (229.2)      | 71                        |
| 586  | -  | 7                               | (31)            | (38)            | (122.6)      | (93)                      |
| 20   | 65   | 6                               | 4               | (2)             | (50.0)       | 11                        |
| (113)  | -  | -                               | -               | -               | -            | -                         |
| <b>4,576</b>   | <b>1,009</b>                                   | <b>1,063</b>                    | <b>981</b>      | <b>(82)</b>     | <b>(8.4)</b> | <b>3,289</b>              |
| <b>NOTE 8: Gains and Losses on Financial Instruments</b>     |  |                                 |                 |                 |              |                           |
| <i>By source</i>   |  |                                 |                 |                 |              |                           |
| 526  | (823)  | 1,464                           | 570             | 894             | 156.8        | 1,685                     |
| 930  | (55)   | 748                             | 75              | 673             | -            | 288                       |
| 9  | (103)  | 54                              | (39)            | 93              | 238.5        | (46)                      |
| (773)  | (286)  | 108                             | (46)            | 154             | 334.8        | (192)                     |
| <b>692</b>   | <b>(1,267)</b>                                 | <b>2,374</b>                    | <b>560</b>      | <b>1,814</b>    | <b>323.9</b> | <b>1,735</b>              |
| <b>NOTE 9: Gains and Losses on Non-Financial Instruments</b> |  |                                 |                 |                 |              |                           |
| <i>By type</i>   |  |                                 |                 |                 |              |                           |
| (3,896)  | (1,946)  | -                               | -               | -               | -            | -                         |
| (2,942)  | (1,155)  | 228                             | -               | 228             | -            | -                         |
| 312  | 192  | 162                             | 95              | 67              | 70.5         | 201                       |
| <b>(6,526)</b>   | <b>(2,909)</b>                                 | <b>390</b>                      | <b>95</b>       | <b>295</b>      | <b>310.5</b> | <b>201</b>                |
| <i>By source</i>   |  |                                 |                 |                 |              |                           |
| (3,790)  | (1,852)  | 119                             | 42              | 77              | 183.3        | 7                         |
| (2,955)  | (1,156)  | 215                             | (5)             | 220             | -            | (11)                      |
| 220  | 100  | 56                              | 58              | (2)             | (3.4)        | 205                       |
| (1)  | (1)  | -                               | -               | -               | -            | -                         |
| <b>(6,526)</b>   | <b>(2,909)</b>                                 | <b>390</b>                      | <b>95</b>       | <b>295</b>      | <b>310.5</b> | <b>201</b>                |
| <b>NOTE 10: Operating Balance</b>                            |  |                                 |                 |                 |              |                           |
| <i>By source</i>   |  |                                 |                 |                 |              |                           |
| (11,671)   | (6,816)  | (1,621)                         | (2,388)         | 767             | 32.1         | (7,774)                   |
| (641)  | (314)  | 1,609                           | 673             | 936             | 139.1        | 1,873                     |
| (1,423)  | 290  | 492                             | 369             | 123             | 33.3         | 890                       |
| (1,162)  | (613)  | (514)                           | (611)           | 97              | 15.9         | (688)                     |
| <b>(14,897)</b>  | <b>(7,453)</b>                                 | <b>(34)</b>                     | <b>(1,957)</b>  | <b>1,923</b>    | <b>98.3</b>  | <b>(5,699)</b>            |



## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2012<br>\$m                            | As at<br>31 Oct<br>2011<br>\$m |   | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|--|--------------------------------|---|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |                                |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
| <b>NOTE 11: Financial Assets and Sovereign Receivables</b> |                                |   |                                 |                 |                 |              |                           |
| 10,686   | 13,453                         | Cash and cash equivalents                               | 12,383                          | 14,106          | (1,723)         | (12.2)       | 14,327                    |
| 7,257  | 7,235                          | Tax receivables   | 6,894                           | 6,863           | 31              | 0.5          | 6,974                     |
| 13,699   | 13,120                         | Trade and other receivables                             | 12,415                          | 12,002          | 413             | 3.4          | 9,825                     |
| 8,291  | 7,556                          | Student loans   | 8,399                           | 8,423           | (24)            | (0.3)        | 8,781                     |
| 12,445   | 11,932                         | Kiwibank mortgages                                      | 12,680                          | 12,901          | (221)           | (1.7)        | 13,830                    |
| 2,422  | 2,321                          | Long-term deposits                                      | 3,034                           | 2,024           | 1,010           | 49.9         | 1,697                     |
| 2,249  | 2,204                          | IMF financial assets                                    | 2,194                           | 2,243           | (49)            | (2.2)        | 2,445                     |
| 1,030  | 1,623                          | Other advances  | 1,307                           | 964             | 343             | 35.6         | 1,284                     |
| 14,385   | 13,871                         | Share investments                                       | 14,859                          | 14,869          | (10)            | (0.1)        | 15,853                    |
| 5,032  | 5,219                          | Derivatives in gain                                     | 4,809                           | 4,318           | 491             | 11.4         | 4,028                     |
| 38,682   | 35,579                         | Other marketable securities                             | 36,606                          | 34,130          | 2,476           | 7.3          | 28,027                    |
| <b>116,178</b>   | <b>114,113</b>                 | <b>Total financial assets and sovereign receivables</b> | <b>115,580</b>                  | <b>112,843</b>  | <b>2,737</b>    | <b>2.4</b>   | <b>107,071</b>            |
| <b>Financial assets by entity</b>                          |                                |   |                                 |                 |                 |              |                           |
| 26,062   | 30,423                         | NZDMO   | 25,517                          | 23,284          | 2,233           | 9.6          | 14,820                    |
| 17,573   | 19,325                         | Reserve Bank of New Zealand                             | 18,455                          | 17,679          | 776             | 4.4          | 17,631                    |
| 18,815   | 17,847                         | NZ Superannuation Fund                                  | 20,179                          | 19,227          | 952             | 5.0          | 20,445                    |
| 20,455   | 19,989                         | Other core Crown  | 20,882                          | 21,027          | (145)           | (0.7)        | 18,863                    |
| (7,924)  | (12,810)                       | Intra-segment eliminations                              | (11,227)                        | (8,429)         | (2,798)         | (33.2)       | (5,832)                   |
| <b>74,981</b>  | <b>74,774</b>                  | <b>Total core Crown segment</b>                         | <b>73,806</b>                   | <b>72,788</b>   | <b>1,018</b>    | <b>1.4</b>   | <b>65,927</b>             |
| 25,340   | 23,228                         | ACC portfolio   | 27,974                          | 25,245          | 2,729           | 11           | 28,440                    |
| 7,252  | 8,001                          | EQC portfolio   | 6,728                           | 6,384           | 344             | 5            | 3,781                     |
| 11,168   | 8,737                          | Other Crown entities                                    | 10,854                          | 10,576          | 278             | 3            | 8,191                     |
| (3,685)  | (3,396)                        | Intra-segment eliminations                              | (3,675)                         | (3,669)         | (6)             | (0.2)        | (3,503)                   |
| <b>40,075</b>  | <b>36,570</b>                  | <b>Total Crown entities segment</b>                     | <b>41,881</b>                   | <b>38,536</b>   | <b>3,345</b>    | <b>8.7</b>   | <b>36,909</b>             |
| <b>19,186</b>  | <b>20,876</b>                  | <b>Total State-owned enterprises segment</b>            | <b>18,756</b>                   | <b>19,361</b>   | <b>(605)</b>    | <b>(3.1)</b> | <b>21,393</b>             |
| (18,064)   | (18,107)                       | Inter-segment eliminations                              | (18,863)                        | (17,842)        | (1,021)         | (5.7)        | (17,158)                  |
| <b>116,178</b>   | <b>114,113</b>                 | <b>Total financial assets</b>                           | <b>115,580</b>                  | <b>112,843</b>  | <b>2,737</b>    | <b>2.4</b>   | <b>107,071</b>            |

## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2012<br>\$m  | As at<br>31 Oct<br>2011<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>Forecast<br>\$m |
|--|--------------------------------|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
|  |                                |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                           |
| <b>NOTE 12: Property, Plant and Equipment</b>  |                                |  |                                 |                 |                 |              |                           |
| <b>Net Carrying Value</b>  |                                |  |                                 |                 |                 |              |                           |
| <b>By class of asset:</b>  |                                |  |                                 |                 |                 |              |                           |
| 33,626   | 35,431                         | Land (valuation) <sup>1</sup>                        | 33,534                          | 33,654          | (120)           | (0.4)        | 35,551                    |
| 25,046   | 24,603                         | Buildings (valuation)                                | 25,014                          | 25,122          | (108)           | (0.4)        | 25,528                    |
| 17,546   | 17,629                         | State highways (valuation) - excluding land          | 17,686                          | 17,749          | (63)            | (0.4)        | 19,120                    |
| 14,400   | 14,437                         | Electricity generation assets (valuation)            | 14,497                          | 14,663          | (166)           | (1.1)        | 15,348                    |
| 3,476  | 2,945                          | Electricity distribution network (cost)              | 3,620                           | 3,635           | (15)            | (0.4)        | 3,835                     |
| 3,220  | 3,284                          | Specialist military equipment (valuation)            | 3,187                           | 3,229           | (42)            | (1.3)        | 3,346                     |
| 2,514  | 2,455                          | Specified cultural and heritage assets (valuation)   | 2,516                           | 2,517           | (1)             | -            | 2,506                     |
| 2,250  | 1,788                          | Aircraft (excl military) (valuation)                 | 2,235                           | 2,305           | (70)            | (3.0)        | 2,222                     |
| 856  | 7,232                          | Rail network (valuation) - excluding land            | 982                             | 967             | 15              | 1.6          | 7,614                     |
| 5,650  | 5,582                          | Other plant and equipment (cost)                     | 5,601                           | 5,630           | (29)            | (0.5)        | 6,265                     |
| <b>108,584</b>   | <b>115,386</b>                 | <b>Total net carrying value</b>                      | <b>108,872</b>                  | <b>109,471</b>  | <b>(599)</b>    | <b>(0.5)</b> | <b>121,335</b>            |
| <b>By source:</b>  |                                |  |                                 |                 |                 |              |                           |
| 29,377   | 29,474                         | Core Crown   | 29,204                          | 29,384          | (180)           | (0.6)        | 30,140                    |
| 49,939   | 48,800                         | Crown entities                                       | 50,105                          | 50,226          | (121)           | (0.2)        | 51,182                    |
| 29,268   | 37,112                         | State-owned enterprises                              | 29,563                          | 29,861          | (298)           | (1.0)        | 40,013                    |
| -  | -                              | Inter-segment eliminations                           | -                               | -               | -               | -            | -                         |
| <b>108,584</b>   | <b>115,386</b>                 | <b>Total net carrying value</b>                      | <b>108,872</b>                  | <b>109,471</b>  | <b>(599)</b>    | <b>(0.5)</b> | <b>121,335</b>            |
| <b>Land breakdown by usage<sup>1</sup></b>   |                                |  |                                 |                 |                 |              |                           |
| 8,744  | 8,409                          | Housing stock  | 8,721                           | 8,738           | (17)            | (0.2)        | 8,394                     |
| 8,353  | 7,741                          | State highway corridor land                          | 8,353                           | 8,353           | -               | -            | 7,603                     |
| 5,454  | 5,685                          | Conservation estate                                  | 5,423                           | 5,425           | (2)             | -            | 5,679                     |
| 3,260  | 5,641                          | Rail network corridor land                           | 3,260                           | 3,260           | -               | -            | 5,641                     |
| 2,726  | 2,718                          | Schools  | 2,702                           | 2,721           | (19)            | (0.7)        | 2,747                     |
| 1,471  | 1,531                          | Commercial (SOE) excluding rail                      | 1,462                           | 1,472           | (10)            | (0.7)        | 1,594                     |
| 3,618  | 3,706                          | Other  | 3,613                           | 3,685           | (72)            | (2.0)        | 3,893                     |
| <b>33,626</b>  | <b>35,431</b>                  | <b>Total land</b>                                    | <b>33,534</b>                   | <b>33,654</b>   | <b>(120)</b>    | <b>(0.4)</b> | <b>35,551</b>             |
| 1. Land relating to state highways, the rail network and conservation which had previously been included within the State highways, Rail network and Specified cultural and heritage assets categories has been reclassified to the Land category. |                                |  |                                 |                 |                 |              |                           |
| <b>Schedule of movements</b>   |                                |  |                                 |                 |                 |              |                           |
| <b>Cost or valuation</b>   |                                |  |                                 |                 |                 |              |                           |
| 126,601  | 126,601                        | Opening balance                                      | 121,717                         | 121,717         | -               | -            | 133,898                   |
| 6,514  | 1,843                          | Additions  | 1,635                           | 1,930           | (295)           | (15.3)       | 7,437                     |
| (941)  | (117)                          | Disposals  | (165)                           | (22)            | (143)           | -            | (436)                     |
| (9,793)  | 7                              | Net revaluations                                     | (4)                             | 69              | (73)            | (105.8)      | -                         |
| (664)  | 437                            | Other  | (520)                           | (318)           | (202)           | (63.5)       | 248                       |
| <b>121,717</b>   | <b>128,771</b>                 | <b>Total cost or valuation</b>                       | <b>122,663</b>                  | <b>123,376</b>  | <b>(713)</b>    | <b>(0.6)</b> | <b>141,147</b>            |
| <b>Accumulated depreciation and impairment</b>   |                                |  |                                 |                 |                 |              |                           |
| 11,747   | 11,747                         | Opening balance                                      | 13,133                          | 13,133          | -               | -            | 15,890                    |
| (634)  | (98)                           | Eliminated on disposal                               | (34)                            | 16              | (50)            | (312.5)      | (40)                      |
| (3,415)  | 1                              | Eliminated on revaluation                            | -                               | -               | -               | -            | -                         |
| 5,687  | 1,257                          | Depreciation expense and impairment losses           | 1,190                           | 1,197           | (7)             | (0.6)        | 4,070                     |
| (252)  | 478                            | Other  | (498)                           | (441)           | (57)            | (12.9)       | (108)                     |
| <b>13,133</b>  | <b>13,385</b>                  | <b>Total accumulated depreciation and impairment</b> | <b>13,791</b>                   | <b>13,905</b>   | <b>(114)</b>    | <b>(0.8)</b> | <b>19,812</b>             |
| <b>108,584</b>   | <b>115,386</b>                 | <b>Total property, plant and equipment</b>           | <b>108,872</b>                  | <b>109,471</b>  | <b>(599)</b>    | <b>(0.5)</b> | <b>121,335</b>            |

## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2012<br>\$m                           | As at<br>31 Oct<br>2011<br>\$m |   | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast<br>\$m |
|---|--------------------------------|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
|   |                                |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             |                           |
| <b>NOTE 12 (continued): Property, Plant and Equipment</b> |                                |   |                                 |                 |                 |               |                           |
| <b>Additions - by functional classification</b>           |                                |   |                                 |                 |                 |               |                           |
| 2,291   | 675                            | Transport and communications              | 502                             | 651             | (149)           | (22.9)        | 2,299                     |
| 2,036   | 416                            | Economic and industrial services          | 523                             | 490             | 33              | 6.7           | 1,659                     |
| 442   | 152                            | Education                                 | 154                             | 163             | (9)             | (5.5)         | 931                       |
| 627   | 180                            | Health                                    | 185                             | 268             | (83)            | (31.0)        | 686                       |
| 339   | 164                            | Defence                                   | 57                              | 94              | (37)            | (39.4)        | 556                       |
| 779   | 256                            | Other                                     | 214                             | 264             | (50)            | (18.9)        | 1,306                     |
| <b>6,514</b>  | <b>1,843</b>                   | <b>Total additions</b>                    | <b>1,635</b>                    | <b>1,930</b>    | <b>(295)</b>    | <b>(15.3)</b> | <b>7,437</b>              |
| <b>NOTE 13: NZ Superannuation Fund</b>                    |                                |   |                                 |                 |                 |               |                           |
| 539   | 154                            | Revenue                                   | 202                             | 188             | 14              | 7.4           | 563                       |
| 160   | (146)                          | Less current tax expense                  | 275                             | 140             | (135)           | (96.4)        | 419                       |
| 132   | 18                             | Less other expenses <sup>1</sup>          | 41                              | 53              | 12              | 22.6          | 160                       |
| (204)   | (1,116)                        | Add gains/(losses)                        | 1,154                           | 442             | 712             | 161.1         | 1,327                     |
| <b>43</b>   | <b>(834)</b>                   | <b>Operating balance</b>                  | <b>1,040</b>                    | <b>437</b>      | <b>603</b>      | <b>138.0</b>  | <b>1,311</b>              |
| 18,652  | 18,652                         | Opening net worth                         | 18,703                          | 18,703          | -               | -             | 18,777                    |
| 43  | (834)                          | Operating balance                         | 1,040                           | 437             | 603             | 138.0         | 1,311                     |
| 8   | 3                              | Other movements in reserves               | 1                               | 11              | (10)            | (90.9)        | 32                        |
| <b>18,703</b>   | <b>17,821</b>                  | <b>Closing net worth</b>                  | <b>19,744</b>                   | <b>19,151</b>   | <b>593</b>      | <b>3.1</b>    | <b>20,120</b>             |
| <b>comprising:</b>  |                                |   |                                 |                 |                 |               |                           |
| 18,815  | 17,847                         | Financial assets                          | 20,179                          | 19,227          | 952             | 5.0           | 20,445                    |
| (1,317)   | (1,179)                        | Financial liabilities                     | (1,634)                         | (1,300)         | (334)           | (25.7)        | (1,620)                   |
| 1,205   | 1,153                          | Net other assets                          | 1,199                           | 1,224           | (25)            | (2.0)         | 1,295                     |
| <b>18,703</b>   | <b>17,821</b>                  | <b>Closing net worth</b>                  | <b>19,744</b>                   | <b>19,151</b>   | <b>593</b>      | <b>3.1</b>    | <b>20,120</b>             |
| <b>Core Crown revenue (excl NZS Fund)</b>                 |                                |   |                                 |                 |                 |               |                           |
| 60,565  | 18,871                         | Core Crown revenue                        | 19,727                          | 20,263          | (536)           | (2.6)         | 64,191                    |
| 539   | 154                            | Less NZS Fund revenue                     | 202                             | 188             | 14              | 7.4           | 563                       |
| 160   | (146)                          | Add back NZS Fund intra-segment revenue   | 275                             | 140             | 135             | 96.4          | 419                       |
| <b>60,186</b>   | <b>18,571</b>                  | <b>Core Crown revenue (excl NZS Fund)</b> | <b>19,800</b>                   | <b>20,215</b>   | <b>(415)</b>    | <b>(2.1)</b>  | <b>64,047</b>             |
| <b>OBEGAL excluding NZS Fund</b>                          |                                |   |                                 |                 |                 |               |                           |
| (9,240)   | (3,360)                        | Total Crown OBEGAL                        | (2,865)                         | (2,696)         | (169)           | (6.3)         | (7,897)                   |
| 539   | 154                            | Less NZS Fund revenue                     | 202                             | 188             | 14              | 7.4           | 563                       |
| 77  | 15                             | Add back NZS Fund external expenses       | 30                              | 41              | (11)            | (26.8)        | 122                       |
| 160   | (146)                          | Add back NZS Fund tax                     | 275                             | 140             | 135             | 96.4          | 419                       |
| <b>(9,542)</b>  | <b>(3,645)</b>                 | <b>OBEGAL excluding NZS Fund</b>          | <b>(2,762)</b>                  | <b>(2,703)</b>  | <b>(59)</b>     | <b>(2.2)</b>  | <b>(7,919)</b>            |

1. NZS Fund other expenses include deferred tax expense/(credits)

## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2012<br>\$m       | As at<br>31 Oct<br>2011<br>\$m |   | Current Year Actual vs Forecast |                 |                 |               | Annual<br>Forecast<br>\$m |
|---------------------------------------|--------------------------------|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
|                                       |                                |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %             |                           |
| <b>NOTE 14: Payables</b>              |                                |   |                                 |                 |                 |               |                           |
| 8,255                                 | 8,396                          | Accounts payable                                | 9,058                           | 7,577           | (1,481)         | (19.5)        | 10,139                    |
| 3,349                                 | 2,806                          | Taxes repayable                                 | 2,643                           | 2,912           | 269             | 9.2           | 3,364                     |
| <b>11,604</b>                         | <b>11,202</b>                  | <b>Total payables</b>                           | <b>11,701</b>                   | <b>10,489</b>   | <b>(1,212)</b>  | <b>(11.6)</b> | <b>13,503</b>             |
| <b>NOTE 15: Insurance liabilities</b> |                                |   |                                 |                 |                 |               |                           |
| 30,648                                | 27,428                         | ACC liability                                   | 29,901                          | 30,135          | 234             | 0.8           | 30,651                    |
| 8,877                                 | 9,278                          | EQC property damage liability                   | 8,331                           | 7,939           | (392)           | (4.9)         | 5,210                     |
| 2,062                                 | 2,098                          | Southern Response (formerly AMI Insurance)      | 1,958                           | 1,805           | (153)           | (8.5)         | 992                       |
| 48                                    | 59                             | Other insurance liabilities                     | 46                              | 44              | (2)             | (4.5)         | 78                        |
| (449)                                 | (336)                          | Inter-segment eliminations                      | (449)                           | (449)           | -               | -             | (12)                      |
| <b>41,186</b>                         | <b>38,527</b>                  | <b>Total insurance liabilities</b>              | <b>39,787</b>                   | <b>39,474</b>   | <b>(313)</b>    | <b>(0.8)</b>  | <b>36,919</b>             |
| <b>NOTE 16: Provisions</b>            |                                |   |                                 |                 |                 |               |                           |
| 375                                   | 666                            | Provision for ETS Credits                       | 111                             | 313             | 202             | 64.5          | 815                       |
| 1,076                                 | 977                            | Provision for National Provident Fund guarantee | 1,067                           | 1,056           | (11)            | (1.0)         | 843                       |
| 3,253                                 | 3,006                          | Provision for employee entitlements             | 3,162                           | 3,131           | (31)            | (1.0)         | 3,133                     |
|                                       |                                | Provision for Canterbury Red Zone support       |                                 |                 |                 |               |                           |
| 745                                   | 917                            | package   | 1,172                           | 938             | (234)           | (24.9)        | -                         |
| 530                                   | -                              | Provision for Infrastructure costs              | 488                             | 530             | 42              | 7.9           | -                         |
|                                       |                                | Provision for weathertight services             |                                 |                 |                 |               |                           |
| 189                                   | 567                            | financial assistance package                    | 188                             | 192             | 4               | 2.1           | 306                       |
| 1,338                                 | 1,142                          | Other provisions                                | 799                             | 814             | 15              | 1.9           | 1,769                     |
| <b>7,506</b>                          | <b>7,275</b>                   | <b>Total provisions</b>                         | <b>6,987</b>                    | <b>6,974</b>    | <b>(13)</b>     | <b>(0.2)</b>  | <b>6,866</b>              |
| <b>NOTE 17: Changes in Net Worth</b>  |                                |   |                                 |                 |                 |               |                           |
| 18,188                                | 18,188                         | Opening taxpayers funds                         | 3,520                           | 3,520           | -               | -             | 7,573                     |
| (14,897)                              | (7,453)                        | Operating balance excluding minority interest   | (34)                            | (1,957)         | 1,923           | 98.3          | (5,699)                   |
| -                                     | -                              | Partial share sales in state-owned enterprises  | -                               | -               | -               | -             | 200                       |
| 229                                   | 21                             | Transfers from/(to) other reserves              | 30                              | 8               | 22              | 275.0         | 70                        |
| <b>3,520</b>                          | <b>10,756</b>                  | <b>Closing taxpayers funds</b>                  | <b>3,516</b>                    | <b>1,571</b>    | <b>1,945</b>    | <b>123.8</b>  | <b>2,144</b>              |
| 62,690                                | 62,690                         | Opening revaluation reserve                     | 56,001                          | 56,001          | -               | -             | 62,618                    |
| (6,461)                               | (37)                           | Net revaluations                                | (22)                            | (12)            | (10)            | (83.3)        | -                         |
| (228)                                 | (19)                           | Transfers from/(to) other reserves              | (31)                            | (4)             | (27)            | -             | (68)                      |
| <b>56,001</b>                         | <b>62,634</b>                  | <b>Closing revaluation reserve</b>              | <b>55,948</b>                   | <b>55,985</b>   | <b>(37)</b>     | <b>(0.1)</b>  | <b>62,550</b>             |
| (299)                                 | (299)                          | Opening other reserves                          | (173)                           | (173)           | -               | -             | (196)                     |
| 126                                   | 142                            | Net movements                                   | 50                              | (23)            | 73              | 317.4         | 62                        |
| <b>(173)</b>                          | <b>(157)</b>                   | <b>Closing other reserves</b>                   | <b>(123)</b>                    | <b>(196)</b>    | <b>73</b>       | <b>37.2</b>   | <b>(134)</b>              |

1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website [www.climatechange.govt.nz](http://www.climatechange.govt.nz)

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 Jun   | 4 months<br>to 31 Oct |   | Current Year Actual vs Forecast |                |                |                | Annual<br>Forecast |
|---|-----------------------|---|---------------------------------|----------------|----------------|----------------|--------------------|
|   |                       |   | Actual                          | Forecast       | Variance       |                |                    |
| 2012  | 2011                  |   | \$m                             | \$m            | \$m            | %              | \$m                |
| \$m   | \$m                   |   |                                 |                |                |                |                    |
| <b>NOTE 18: Core Crown residual cash</b>                        |                       |   |                                 |                |                |                |                    |
| <b>Core Crown Cash Flows from Operations</b>                    |                       |   |                                 |                |                |                |                    |
| 54,249  | 17,007                | Tax receipts  | 17,562                          | 18,226         | (664)          | (3.6)          | 57,762             |
| 670   | 214                   | Other sovereign receipts                                    | 238                             | 236            | 2              | 0.8            | 653                |
| 1,431   | 521                   | Interest, profits and dividends                             | 667                             | 707            | (40)           | (5.7)          | 1,676              |
| 2,699   | 874                   | Sale of goods & services and other receipts                 | 789                             | 742            | 47             | 6.3            | 2,506              |
| (22,854)  | (8,328)               | Transfer payments and subsidies                             | (8,204)                         | (8,346)        | 142            | 1.7            | (23,334)           |
| (40,036)  | (13,783)              | Personnel and operating costs                               | (14,068)                        | (14,372)       | 304            | 2.1            | (42,411)           |
| (3,369)   | (899)                 | Finance costs   | (1,113)                         | (1,164)        | 51             | 4.4            | (3,918)            |
| -   | -                     | Forecast for future new operating spending                  | -                               | 0              | (0)            | (100.0)        | (348)              |
| -   | -                     | Top-down expense adjustment                                 | -                               | 121            | (121)          | (100.0)        | 700                |
| <b>(7,210)</b>  | <b>(4,394)</b>        | <b>Net core Crown operating cash flows</b>                  | <b>(4,129)</b>                  | <b>(3,850)</b> | <b>(279)</b>   | <b>(7.2)</b>   | <b>(6,714)</b>     |
| (1,262)   | (446)                 | Net purchase of physical assets                             | (328)                           | (424)          | 96             | 22.6           | (1,999)            |
| (1,022)   | (291)                 | Net increase in advances                                    | 235                             | (163)          | 398            | 244.4          | (926)              |
| (1,150)   | (405)                 | Net purchase of investments                                 | (699)                           | (407)          | (292)          | (71.7)         | 62                 |
| -   | -                     | Forecast for future new capital spending                    | -                               | -              | -              | -              | (194)              |
| -   | -                     | Top-down capital adjustment                                 | -                               | 15             | (15)           | (100.0)        | 100                |
| <b>(3,434)</b>  | <b>(1,142)</b>        | <b>Net Core Crown capital cash flows</b>                    | <b>(792)</b>                    | <b>(979)</b>   | <b>187</b>     | <b>19.1</b>    | <b>(2,957)</b>     |
| <b>(10,644)</b>   | <b>(5,536)</b>        | <b>Residual cash deficit</b>                                | <b>(4,921)</b>                  | <b>(4,829)</b> | <b>(92)</b>    | <b>(1.9)</b>   | <b>(9,671)</b>     |
| <i>The residual cash deficit is funded as follows:</i>          |                       |   |                                 |                |                |                |                    |
| <b>Debt programme cash flows</b>                                |                       |   |                                 |                |                |                |                    |
| Market:   |                       |   |                                 |                |                |                |                    |
| 15,146  | 6,012                 | Issue of government bonds                                   | 7,556                           | 5,182          | 2,374          | 45.8           | 14,122             |
| (7,602)   | -                     | Repayment of government bonds                               | -                               | -              | -              | -              | (9,982)            |
| 2,139   | 1,329                 | Net issue/(repayment) of short-term borrowing <sup>1</sup>  | (3,239)                         | (3,039)        | (200)          | (6.6)          | (3,701)            |
| 9,683   | 7,341                 | Total market debt cash flows                                | 4,317                           | 2,143          | 2,174          | 101.4          | 439                |
| Non market:   |                       |   |                                 |                |                |                |                    |
| -   | -                     | Issue of government bonds                                   | -                               | -              | -              | -              | -                  |
| (1,501)   | (1,206)               | Repayment of government bonds                               | -                               | -              | -              | -              | (499)              |
| 430   | (50)                  | Net issue/(repayment) of short-term borrowing               | -                               | -              | -              | -              | -                  |
| (1,071)   | (1,256)               | Total non-market debt cash flows                            | -                               | -              | -              | -              | (499)              |
| <b>8,612</b>  | <b>6,085</b>          | <b>Total debt programme cash flows</b>                      | <b>4,317</b>                    | <b>2,143</b>   | <b>2,174</b>   | <b>101.4</b>   | <b>(60)</b>        |
| <b>Other borrowing cash flows</b>                               |                       |   |                                 |                |                |                |                    |
| 5,880   | 4,594                 | Net (repayment)/issue of other New Zealand dollar borrowing | 1,116                           | 260            | 856            | 329.3          | 741                |
| (6,030)   | (3,201)               | Net (repayment)/issue of foreign currency borrowing         | 22                              | (207)          | 229            | 110.6          | (620)              |
| <b>(150)</b>  | <b>1,393</b>          | <b>Total other borrowing cash flows</b>                     | <b>1,138</b>                    | <b>53</b>      | <b>1,085</b>   | <b>440.0</b>   | <b>121</b>         |
| <b>Investing cashflows</b>                                      |                       |   |                                 |                |                |                |                    |
| Other net sale/(purchase) of marketable securities and deposits |                       |   |                                 |                |                |                |                    |
| 2,270   | 1,609                 |   | 1,824                           | 3,455          | (1,631)        | (47.2)         | 9,465              |
| 203   | 203                   | Issues of circulating currency                              | 140                             | 19             | 121            | -              | 144                |
| (291)   | (3,754)               | Decrease/(increase) in cash                                 | (2,498)                         | (841)          | (1,657)        | (197.0)        | 1                  |
| <b>2,182</b>  | <b>(1,942)</b>        | <b>Total investing cash flows</b>                           | <b>(534)</b>                    | <b>2,633</b>   | <b>(3,167)</b> | <b>(120.3)</b> | <b>9,610</b>       |
| <b>10,644</b>   | <b>5,536</b>          | <b>Residual cash deficit funding</b>                        | <b>4,921</b>                    | <b>4,829</b>   | <b>92</b>      | <b>1.9</b>     | <b>9,671</b>       |

1. Short-term borrowing consists of Treasury Bills and may include Euro-Commercial Paper