

6 May 2013

MEDIA STATEMENT

**Embargoed until 10.00am, Monday 6 May 2013**

Fergus Welsh  
Chief Financial Officer  
The Treasury

## **Financial Statements of the Government of New Zealand for the Nine Months Ended 31 March 2013**

The *Financial Statements of the Government of New Zealand* for the nine months ended 31 March 2013 were released by the Treasury today.

These financial statements are the last to be compared against forecasts based on the *Half Year Economic and Fiscal Update (HYEFU)*, released on 18 December 2012.

The **Operating Balance before Gains and Losses (OBEGAL)** was in deficit by \$5.0 billion, which was \$273 million lower than forecast largely owing to **core Crown tax revenue** being \$535 million higher than expected. Continuing the pattern of recent months:

- Other individuals tax revenue was \$406 million (14.8%) above forecast, likely the result of solid investment incomes, driven by recent strength in equity markets; and
- Source deductions was \$187 million (1.1%) above forecast due to a higher effective tax rate. Recent economic data suggests that aggregate labour incomes have been consistent with forecast, but that the composition of the labour force has changed (a decrease in the proportion of low income workers). This change increased the revenue collected because of the progressive nature of the income tax scale.

**Core Crown expenses** were close to forecast at \$52.2 billion. While underspends relating to delays in treaty settlements and New Zealand's aid programmes were recorded, these were largely offset by higher than expected costs associated with an earthquake-related provision for horizontal infrastructure (wastewater, storm water and freshwater) in Canterbury.

Including net gains, the **operating balance** was in surplus by \$2.5 billion, some \$4.5 billion above the forecast deficit, largely owing to significant net investment gains made by the New Zealand Superannuation Fund and ACC (\$1.7 billion and \$0.7 billion above forecast respectively). In addition, favourable actuarial valuations were recorded on the Government Superannuation Fund's retirement liability and ACC's outstanding claims liability of \$0.7 billion and \$0.6 billion above forecast respectively, driven by discount rate movements and favourable payments/claims experience.

The **residual cash deficit** was \$1.3 billion smaller than expected, mainly reflecting higher than expected tax receipts and underspending on capital programmes.

**Gross debt** was \$1.8 billion below forecast at \$84.2 billion (40.2% of GDP), mostly due to the Reserve Bank purchasing \$2.7 billion more Government bonds than forecast, reducing the amount of debt owed by the Crown to third parties.

**Net debt** was \$1.5 billion lower than forecast largely reflecting the residual cash result.

\$ million	Year to date				Full Year
	March	March	Variance to HYEFU to HYEFU	Variance to HYEFU to HYEFU	June
	2013	2013			2013
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	41,864	41,329	535	1.3	57,376
Core Crown revenue	45,832	45,297	535	1.2	62,939
Core Crown expenses	52,168	52,223	55	0.1	71,998
Core Crown residual cash	(7,632)	(8,948)	1,316	14.7	(9,782)
Gross debt <sup>3</sup>	84,243	86,014	1,771	2.1	80,176
<i>as a percentage of GDP</i>	40.2%	41.1%			37.1%
Net debt <sup>4</sup>	58,483	59,936	1,453	2.4	59,998
<i>as a percentage of GDP</i>	27.9%	28.6%			27.8%
<b>Total Crown</b>					
Operating balance before gains and losses	(4,950)	(5,223)	273	5.2	(7,340)
Operating balance	2,518	(1,979)	4,497	227.2	(3,275)
Net worth attributable to the Crown	61,900	57,377	4,523	7.9	56,285

1 Using GDP for the year ended 31 December 2012 of \$209,324 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2013 of \$216,048 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

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# Financial Statements of the Government of New Zealand

For the Nine Months Ended  
31 March 2013



Prepared by the Treasury  
6 May 2013

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New Zealand Government

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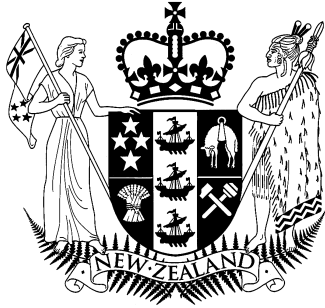
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## COMMENTARY

## S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the nine months ended 31 March 2013 and its financial position as at that date.

The March results are reported against forecasts based on the *2012 Half Year Economic and Fiscal Update (HYEFU)*, published on 18 December 2012.

### At a Glance

**Table 1** – Key indicators for the nine months ended 31 March 2013 compared to HYEFU

\$ million	Year to date				Full Year
	March 2013	March 2013	Variance to HYEFU	Variance to HYEFU	June 2013
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	HYEFU Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	41,864	41,329	535	1.3	57,376
Core Crown revenue	45,832	45,297	535	1.2	62,939
Core Crown expenses	52,168	52,223	55	0.1	71,998
Core Crown residual cash	(7,632)	(8,948)	1,316	14.7	(9,782)
Gross debt <sup>3</sup>	84,243	86,014	1,771	2.1	80,176
<i>as a percentage of GDP</i>	40.2%	41.1%			37.1%
Net debt <sup>4</sup>	58,483	59,936	1,453	2.4	59,998
<i>as a percentage of GDP</i>	27.9%	28.6%			27.8%
<b>Total Crown</b>					
Operating balance before gains and losses	(4,950)	(5,223)	273	5.2	(7,340)
Operating balance	2,518	(1,979)	4,497	227.2	(3,275)
Net worth attributable to the Crown	61,900	57,377	4,523	7.9	56,285

1 Using GDP for the year ended 31 December 2012 of \$209,324 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2013 of \$216,048 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 nine months ended 31 March 2013

**The Operating Balance Before Gains and Losses (OBEGAL) deficit** was \$273 million lower than forecast at \$5.0 billion, primarily reflecting higher than expected tax revenue.

**Core Crown tax revenue** was \$535 million higher than forecast, continuing the pattern of the last few months, with:

- Other Individuals tax \$406 million (14.8%) above forecast, likely the result of solid investment incomes, driven by recent strength in equity markets.
- Source deductions \$187 million (1.1%) above forecast due to a higher effective tax rate. Recent economic data suggests that aggregate labour incomes have been consistent with forecast, but that the composition of the labour force has changed (a decrease in the proportion of low income workers). This change increased the revenue collected because of the progressive nature of the income tax scale.

Other tax types were broadly in line with forecast.



**Core Crown expenses** were close to forecast at \$52.2 billion. While underspends relating to delays in Treaty settlements (\$129 million) and New Zealand's aid programmes (\$80 million) were recorded, these were partly offset by higher than expected costs associated with an earthquake-related provision for horizontal infrastructure (wastewater, storm water and freshwater) in Canterbury (\$192 million).

The **operating balance surplus** was \$2.5 billion, \$4.5 billion above the forecast deficit. This was driven by net gains, which were \$4.1 billion higher than expected, with the Crown's investment portfolios having performed well this year (the NZS Fund and ACC recording net gains of \$1.7b and \$0.7b above forecast respectively) and favourable revaluations being recorded on Government Superannuation Fund's retirement liability and ACC's outstanding claims liability of \$728 million and \$622 million above forecast respectively, driven by discount rate movements and favourable payments/claims experience.

The **residual cash deficit** was \$1.3 billion lower than expected. This reflected:

- Higher tax receipts than forecast (\$660 million or 1.6%), broadly in line with the tax revenue result; and
- Lower than expected capital payments (\$623 million), largely due to delays in education and defence capital programmes and the unforecast sale of land and buildings. Student loan repayments were also \$109 million higher than expected, as borrowers looked to benefit from the voluntary repayment bonus before it ceased on 1 April.

**Gross debt** was \$1.8 billion below forecast at \$84.2 billion (40.2% of GDP). This lower debt was mostly due to the Reserve Bank purchasing \$2.7 billion more Government bonds than forecast, as part of its normal liquidity management activities, reducing the amount of debt owed by the Crown to third parties.

**Net debt** was \$1.5 billion lower than forecast largely reflecting the residual cash result.

Further analysis of the March results follows.

## ANALYSIS

**Table 2** – Key indicator variances for the nine months ended 31 March 2013 compared to *HYEFU*:

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	\$535 million (higher than forecast)	<p>Core Crown tax revenue was the key driver of this result, coincidentally also \$535m higher than forecast, with Other Individuals tax and Source Deductions revenue both above forecast.</p> <ul style="list-style-type: none"> <li>• <b>Other individuals' tax:</b> \$406m (14.8%) above forecast. This variance was likely the result of solid investment incomes, driven by recent strength in equity markets. Tighter collections and enforcement by IRD is also likely to have played a part.</li> <li>• <b>Source deductions:</b> \$187m (1.1%) above forecast. Source deductions revenue has remained above forecast, suggesting a level of underlying strengthening in this tax type since <i>HYEFU</i>. Recent labour market data indicates aggregate labour incomes were close to forecast (Quarterly Employment Survey and Labour Cost Index), yet employment levels, particularly at the lower end of the income scale, were lower than forecast (Household Labour Force Survey). The combination of these (i.e. the same amount of total income being earned by fewer workers) increases the average tax rate across the labour force owing to the progressive nature of the personal income tax scale.</li> </ul> <p>Partially offsetting these positive tax revenue variances, <b>Corporate tax</b> was \$161m (2.9%) below forecast.</p> <p>Other tax types were close to forecast.</p> <p>Other core Crown revenue was on forecast, with \$190m lower interest revenue (caused by lower than forecast interest rates), being offset by \$129m of petroleum royalties recorded ahead of schedule.</p>
Core Crown expenses	\$55 million (lower than forecast)	<p>Core Crown expenses at \$52.2b were close to forecast, with the main underspends being:</p> <ul style="list-style-type: none"> <li>• Treaty expenses were \$129m below forecast due to delays in finalising negotiation issues for Treaty of Waitangi settlements.</li> <li>• New Zealand Aid programme was \$80m below forecast due mainly to unexpected delays across a number of aid programmes. However, these variances are largely timing in nature and less than half of them are expected to be deferred until 2013/14.</li> </ul> <p>Partly offsetting these were higher than expected costs associated with the provision for horizontal infrastructure (wastewater, storm water and freshwater) in Canterbury. Further asset investigation, scheduling and costing analysis by the SCIRT Alliance and the Christchurch City Council led to a \$985m expense (and increase in the provision) being recorded. As \$793m of this expense had been forecast at <i>HYEFU</i>, the unforecast portion was \$192m.</p>
Core Crown residual cash deficit	\$1,316 million (lower than forecast)	<p>Core Crown tax receipts were \$660m higher than expected with:</p> <ul style="list-style-type: none"> <li>• <b>Source deductions</b> \$234m higher than expected, for similar reasons as the revenue difference explained earlier.</li> <li>• <b>Other individuals tax</b> \$68m higher than forecast (\$338m less than the</li> </ul>

<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
		<p>revenue difference). The lower cash difference was largely due to the timing of provisional tax payments.</p> <ul style="list-style-type: none"> <li>• <b>GST and Other Direct taxes</b> receipts were also \$103m and \$101m over forecast.</li> </ul> <p>Net capital cash flows were \$623m lower than forecast, also driving down the forecast residual cash deficit:</p> <ul style="list-style-type: none"> <li>• \$211m relates to the unforecast sale of defence land and buildings for \$119m in February and further delays in the delivery of NH 90 helicopters due to technical issues, and other capital projects (\$92m).</li> <li>• Student loan repayments were \$109m higher than expected, as borrowers looked to benefit from the voluntary repayment bonus before it ceased on 1 April.</li> <li>• Education had underspends of \$96m due to a slower-than-expected property works programme. \$60m of this capital spend is now expected to occur next financial year.</li> </ul>
Gross debt	\$1,771 million  (lower than forecast)	<p>Gross debt was lower than forecast as:</p> <ul style="list-style-type: none"> <li>• the Reserve Bank purchased \$2.7b more Government bonds than forecast. This reduced the amount of debt held outside the Crown by third parties, reducing gross debt.</li> <li>• the debt programme was \$1.0b behind forecast (\$700m of bonds and \$300m of Treasury Bills). However, total issuance of domestic bonds for the 2012/13 year is still expected to be as forecast in <i>HYEFU</i>.</li> </ul> <p>Partly offsetting these lower debt levels was DMO's foreign currency borrowing which was \$1.8b higher than forecast, essentially to meet short-term cash needs.</p>
Net debt	\$1,453 million  (lower than forecast)	<p>At \$58.5b, or 27.9% of GDP, net debt was \$1.5b below forecast. The result was largely owing to the better-than-expected residual cash deficit explained earlier and \$244m more currency in circulation than anticipated.</p>

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Total Crown</b>		
Operating balance before gains and losses deficit	\$273 million (lower than forecast)	The OBEGAL deficit was lower than forecast largely due to the higher-than-forecast core Crown tax revenue result discussed earlier.
Operating balance	\$4,497 million (higher than forecast)	<p>The operating balance surplus was \$2.5b, \$4.5b above the forecast deficit, driven by net gains, which were \$4.1b higher-than-expected.</p> <p>The Crown's investment portfolios have performed well this year with the NZS Fund and ACC recording net gains of \$1.7b and \$0.7b above forecast respectively.</p> <p>The Government Super Fund (GSF) recorded an unforecast actuarial gain of \$728m, primarily due to an increase in the discount rate applied to the retirement liability.</p> <p>ACC also recorded a gain on its outstanding claims liability that was \$622m above forecast. This was mainly due to favourable claims experience from lower than expected rehabilitation and treatment costs.</p>
Net worth attributable to the Crown	\$4,523 million (higher than forecast)	Net worth was higher than forecast, at \$61.9b, reflecting the operating balance result.

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

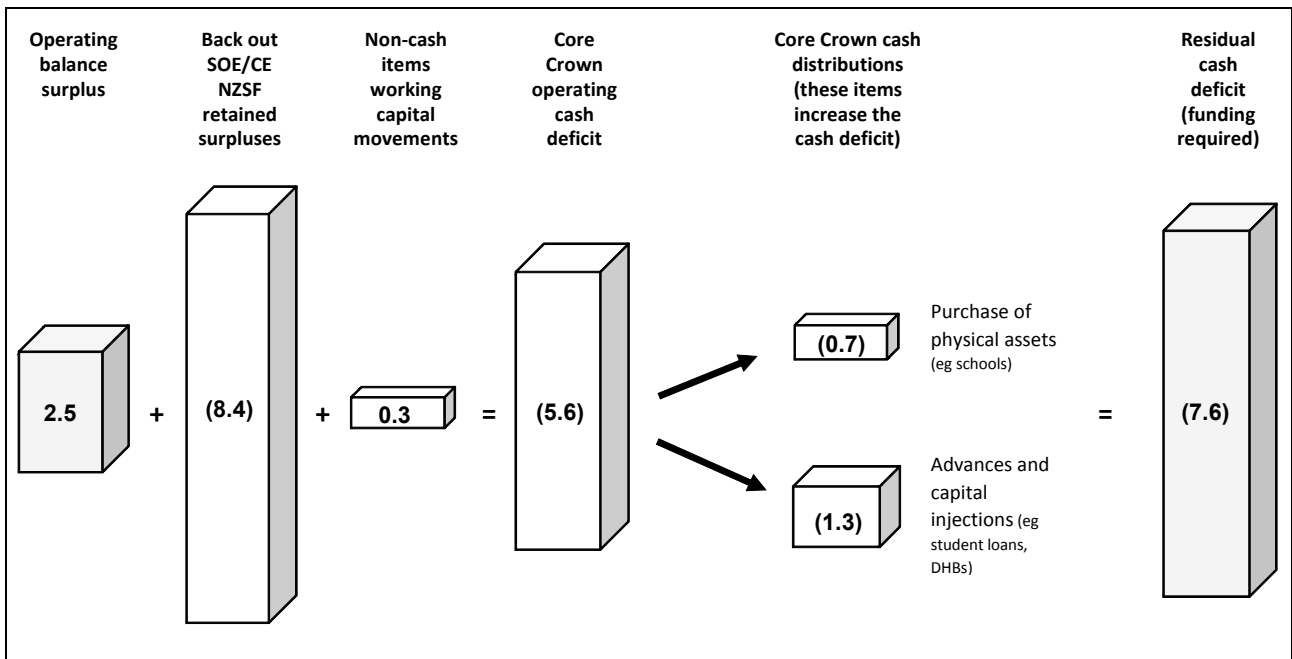
Fiscal Strategy		Financial Results		31 Mar 2013	31 Mar 2013			Annual
				Actual	Forecast	Variance	Variance <sup>2</sup>	Forecast
				\$m	\$m	\$m	%	\$m
			Taxation as a % of GDP	26.7%	26.3%			26.6%
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective			Core Crown taxation revenue ...	41,864	41,329	535	1.3	57,376
			... combined with other core Crown revenue ...	3,968	3,968	-	-	5,563
			... fund core Crown expenses...	(52,168)	(52,223)	55	0.1	(71,998)
<b>Operating expenses</b> To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP			... and with SOE and Crown entity results and core Crown gains and losses...	8,854	4,947	3,907	79.0	5,784
			... result in an operating surplus or deficit...	2,518	(1,979)	4,497	227.2	(3,275)
<b>Operating balance</b> 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			...with income in SOEs, CEs and the NZS Fund retained...	(8,350)	(4,827)	(3,523)	(73.0)	(5,683)
			... and some items do not impact cash ...	277	558	(281)	(50.4)	1,855
			... leaving operating cash flows to ...	<b>(5,555)</b>	<b>(6,248)</b>	<b>693</b>	<b>11.1</b>	<b>(7,103)</b>
			... meet the capital expenditure budget ...	(740)	(1,086)	346	31.9	(1,840)
<b>Debt</b> 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			... and make advances (e.g. to students and DHBs)	(1,337)	(1,614)	277	17.2	(839)
			With the residual cash ...	<b>(7,632)</b>	<b>(8,948)</b>	<b>1,316</b>	<b>14.7</b>	<b>(9,782)</b>
			... 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 ...	180	317	137	43.1	(455)
			... results in a closing net debt ...	<b>58,483</b>	<b>59,936</b>	<b>1,453</b>	<b>2.4</b>	<b>59,998</b>
		... and as a % of GDP	<b>27.9%</b>	<b>28.6%</b>			<b>27.8%</b>	

1 GDP for the nine months ended 31 March 2013 (actual and forecast) is the actual data for the year ended 31 December 2012 (Source: Statistics New Zealand) pro-rated for nine months.

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

**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

	March 2013 Actual \$m	March 2012 Actual \$m	Change <sup>1</sup> \$m	Change %
<b>Statement of Financial Performance</b>				
<b>Core Crown revenue</b>				
Taxation revenue	41,864	39,756	2,108	5.3
Other revenue	3,968	3,794	174	4.6
<b>Total Core Crown Revenue</b>	<b>45,832</b>	<b>43,550</b>	<b>2,282</b>	<b>5.2</b>
<b>Core Crown expenses</b>				
Social security and welfare	16,803	16,530	273	1.7
GSF pension expenses	208	141	67	47.5
Health	10,780	10,591	189	1.8
Education	8,878	8,892	(14)	(0.2)
Core government services	3,950	2,992	958	32.0
Law and order	2,522	2,516	6	0.2
Defence	1,303	1,285	18	1.4
Transport and communications	1,544	1,613	(69)	(4.3)
Economic and industrial services	1,512	1,533	(21)	(1.4)
Primary services	460	457	3	0.7
Heritage, culture and recreation	582	668	(86)	(12.9)
Environmental protection	319	574	(255)	(44.4)
Housing and community development	204	233	(29)	(12.4)
Other	353	283	70	24.7
Finance costs	2,750	2,680	70	2.6
<b>Total Core Crown Expenses</b>	<b>52,168</b>	<b>50,988</b>	<b>1,180</b>	<b>2.3</b>
Net surplus of SOE/CE's (and inter-segment eliminations)	1,386	1,309	77	5.9
<b>OBEHAL</b>	<b>(4,950)</b>	<b>(6,129)</b>	<b>1,179</b>	<b>19.2</b>
Total gains/(losses)	7,183	(2,965)	10,148	342.3
Other operating items	285	163	122	74.8
<b>Operating Balance</b>	<b>2,518</b>	<b>(8,931)</b>	<b>11,449</b>	<b>128.2</b>
<b>Core Crown residual cash</b>	<b>(7,632)</b>	<b>(9,443)</b>	<b>1,812</b>	<b>19.2</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>84,243</b>	<b>75,928</b>	<b>8,315</b>	<b>11.0</b>
<b>Net debt<sup>3</sup></b>	<b>58,483</b>	<b>50,060</b>	<b>8,423</b>	<b>16.8</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 nine months ended 31 March 2013 increased by \$2,108 million (5.3%) on the same period last year. Other individuals' tax continued to post strong growth (up 30.6% on last year driven by a higher effective tax rate) and both source deductions and GST posted 4.7% growth.

Total **core Crown expenses** increased by \$1,180 million (2.3%) on the same period last year:

Functional expense	Movement from previous year	Main drivers of the change
<b>Increases:</b>		
Core government services	+ \$958 million	Costs associated with earthquake-damaged horizontal water infrastructure in Canterbury were revised in March 2013.
Social security and welfare	+ \$273 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$189 million	Funding provided in the 2012 Budget to maintain and improve existing service levels.
<b>Decreases:</b>		
Environmental protection	- \$255 million	Costs associated with the Emissions Trading Scheme (ETS) were lower than last year as fewer NZ units have been issued at lower prices. The lower issuance is related to the forestry industry, as they received a one-off allocation of units (if they opted into the scheme) in previous years. Also, lower worldwide demand for carbon credits and the global financial crisis has also seen the price per unit drop from around NZ\$10 as at 31 March 2012 to NZ\$0.09 as at 31 March 2013.
Other functional classes	-\$15 million	
<b>Total</b>	<b>\$1,180 million</b>	

## Gains

**Total net gains** were \$7,183 million in the nine months to March 2013 due to strong returns on the Crown's investment portfolio and actuarial gains for the Government Superannuation Fund (GSF) and ACC. In contrast, weak global equity markets in the first nine months of the 2011/12 financial year, plus increases in the valuation of the Crown's long-term liabilities (primarily ACC and GSF), resulted in total net losses of \$2,965 million to 31 March 2012.

## Debt

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





# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL PERFORMANCE

for the nine months ended 31 March 2013

Year 9 months to 30 Jun 2012		Year 9 months to 31 Mar 2012		Current Year Actual vs Forecast				
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		<b>Revenue</b>						
54,665	39,399	Taxation revenue	2	41,455	40,971	484	1.2	56,874
5,130	3,783	Other sovereign revenue	2	3,787	3,847	(60)	(1.6)	5,128
<b>59,795</b>	<b>43,182</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>45,242</b>	<b>44,818</b>	<b>424</b>	<b>0.9</b>	<b>62,002</b>
16,785	12,366	Sales of goods and services		12,479	12,101	378	3.1	15,735
2,763	2,061	Interest revenue and dividends	3	2,148	2,371	(223)	(9.4)	3,211
4,140	3,020	Other revenue		2,700	2,582	118	4.6	3,659
<b>23,688</b>	<b>17,447</b>	<b>Total revenue earned through the Crown's operations</b>		<b>17,327</b>	<b>17,054</b>	<b>273</b>	<b>1.6</b>	<b>22,605</b>
<b>83,483</b>	<b>60,629</b>	<b>Total revenue (excluding gains)</b>		<b>62,569</b>	<b>61,872</b>	<b>697</b>	<b>1.1</b>	<b>84,607</b>
		<b>Expenses</b>						
22,354	16,523	Social assistance and official development assistance	4	16,909	16,999	90	0.5	23,007
19,475	14,426	Personnel expenses	5	14,889	14,881	(8)	(0.1)	19,983
6,350	3,314	Depreciation and amortisation	6	3,316	3,284	(32)	(1.0)	4,531
35,678	26,070	Other operating expenses	6	26,771	26,747	(24)	(0.1)	37,455
4,290	3,044	Interest expenses	7	3,245	3,303	58	1.8	4,410
4,576	3,381	Insurance expenses	8	2,389	2,399	10	0.4	3,374
-	-	Forecast new operating spending	6	-	-	-	-	317
-	-	Top-down expense adjustment	6	-	(518)	(518)	(100.0)	(1,150)
<b>92,723</b>	<b>66,758</b>	<b>Total expenses (excluding losses)</b>		<b>67,519</b>	<b>67,095</b>	<b>(424)</b>	<b>(0.6)</b>	<b>91,927</b>
-	-	Forgone profits from partial share sales		-	-	-	-	(20)
<b>(9,240)</b>	<b>(6,129)</b>	<b>Operating balance before gains/(losses)</b>		<b>(4,950)</b>	<b>(5,223)</b>	<b>273</b>	<b>5.2</b>	<b>(7,340)</b>
692	776	Net gains/(losses) on financial instruments	9	5,496	2,739	2,757	100.7	3,301
(6,526)	(3,741)	Net gains/(losses) on non-financial instruments	10	1,687	365	1,322	362.2	568
<b>(5,834)</b>	<b>(2,965)</b>	<b>Total gains/(losses)</b>		<b>7,183</b>	<b>3,104</b>	<b>4,079</b>	<b>131.4</b>	<b>3,869</b>
233	164	Net surplus/(deficit) from associates and joint ventures		210	140	70	50.0	196
<b>(14,841)</b>	<b>(8,930)</b>	<b>Operating balance from continuing activities</b>		<b>2,443</b>	<b>(1,979)</b>	<b>4,422</b>	<b>223.4</b>	<b>(3,275)</b>
-	(1)	Gain/(loss) from discontinued operations		75	-	75	-	-
(56)	-	Attributable to minority interests		-	-	-	-	-
<b>(14,897)</b>	<b>(8,931)</b>	<b>Operating balance</b>		<b>2,518</b>	<b>(1,979)</b>	<b>4,497</b>	<b>227.2</b>	<b>(3,275)</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 31 March 2013

Year 9 months to 30 Jun to 31 Mar 2012 2012 Actual Actual \$m \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
		Actual \$m	Forecast \$m	Variance \$m	%		
(14,841)	(8,931)	<b>Operating Balance (including minority interest)</b>	<b>2,518</b>	<b>(1,979)</b>	<b>4,497</b>	<b>227.2</b>	<b>(3,255)</b>
		<b>Other comprehensive income</b>					
(6,461)	2	Revaluation of physical assets	(50)	(28)	(22)	(78.6)	(16)
108	149	Effective portion of changes in value of cash flow hedges	94	(7)	101	-	(32)
54	1	Net change in fair value of cash flow hedges transferred to operating balance	1	15	(14)	(93.3)	-
(19)	(21)	Net change in fair value of cash flow hedges transferred to the hedged item	-	4	(4)	(100.0)	4
(2)	89	Foreign currency translation differences for foreign operations	(10)	12	(22)	(183.3)	85
13	8	Valuation gains/(losses) on investments available for sale taken to reserves	(2)	15	(17)	(113.3)	4
1	(1)	Other movements	1	(3)	4	133.3	(8)
<b>(6,306)</b>	<b>227</b>	<b>Total other comprehensive income</b>	<b>34</b>	<b>8</b>	<b>26</b>	<b>325.0</b>	<b>37</b>
<b>(21,147)</b>	<b>(8,704)</b>	<b>Total comprehensive income</b>	<b>2,552</b>	<b>(1,971)</b>	<b>4,523</b>	<b>229.5</b>	<b>(3,218)</b>
		<b>Attributable to:</b>					
84	-	- minority interest	-	-	-	-	20
(21,231)	(8,704)	- the Crown	2,552	(1,971)	4,523	229.5	(3,238)
<b>(21,147)</b>	<b>(8,704)</b>	<b>Total comprehensive income</b>	<b>2,552</b>	<b>(1,971)</b>	<b>4,523</b>	<b>229.5</b>	<b>(3,218)</b>

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

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the nine months ended 31 March 2013

Year 9 months to 30 Jun to 31 Mar 2012 2012			Current Year Actual vs Forecast				Annual Forecast \$m
Actual \$m	Actual \$m		Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
25,457	19,004	Social security and welfare	19,326	19,413	87	0.4	26,689
197	146	GSF pension expenses	213	217	4	1.8	287
13,650	10,181	Health	10,387	10,402	15	0.1	14,108
12,407	9,464	Education	9,218	9,404	186	2.0	13,262
5,305	2,959	Core government services	3,920	3,898	(22)	(0.6)	5,538
3,592	2,651	Law and order	2,678	2,737	59	2.2	3,864
1,693	1,252	Defence	1,279	1,298	19	1.5	1,815
10,259	6,398	Transport and communications	6,643	6,464	(179)	(2.8)	8,952
10,018	7,114	Economic and industrial services	6,412	6,006	(406)	(6.8)	7,479
1,588	1,122	Primary services	922	967	45	4.7	1,521
2,446	1,758	Heritage, culture and recreation	1,858	1,851	(7)	(0.4)	2,477
769	574	Environmental protection	300	344	44	12.8	561
627	808	Housing and community development	765	825	60	7.3	1,168
425	283	Other	353	484	131	27.1	629
4,290	3,044	Finance costs	3,245	3,303	58	1.8	4,410
-	-	Forecast new operating spending	-	-	-	-	317
-	-	Top-down expense adjustment	-	(518)	(518)	(100.0)	(1,150)
<b>92,723</b>	<b>66,758</b>	<b>Total Crown expenses excluding losses</b>	<b>67,519</b>	<b>67,095</b>	<b>(424)</b>	<b>(0.6)</b>	<b>91,927</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 9 months to 30 Jun to 31 Mar 2012 2012			Current Year Actual vs Forecast				Annual Forecast \$m
Actual \$m	Actual \$m		Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
22,028	16,530	Social security and welfare	16,803	16,781	(22)	(0.1)	22,878
192	141	GSF pension expenses	208	208	-	-	278
14,160	10,591	Health	10,780	10,873	93	0.9	14,741
11,654	8,892	Education	8,878	9,011	133	1.5	12,400
5,428	2,992	Core government services	3,950	3,852	(98)	(2.5)	5,640
3,403	2,516	Law and order	2,522	2,592	70	2.7	3,642
1,736	1,285	Defence	1,303	1,333	30	2.3	1,864
2,232	1,613	Transport and communications	1,544	1,594	50	3.1	2,435
2,157	1,533	Economic and industrial services	1,512	1,525	13	0.9	2,082
648	457	Primary services	460	506	46	9.1	846
863	668	Heritage, culture and recreation	582	651	69	10.6	875
769	574	Environmental protection	319	359	40	11.1	585
(130)	233	Housing and community development	204	243	39	16.0	357
425	283	Other	353	484	131	27.1	629
3,511	2,680	Finance costs	2,750	2,729	(21)	(0.8)	3,579
-	-	Forecast new operating spending	-	-	-	-	317
-	-	Top-down expense adjustment	-	(518)	(518)	(100.0)	(1,150)
<b>69,076</b>	<b>50,988</b>	<b>Core Crown expenses excluding losses</b>	<b>52,168</b>	<b>52,223</b>	<b>55</b>	<b>0.1</b>	<b>71,998</b>

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

# STATEMENT OF CASH FLOWS

for the nine months ended 31 March 2013

Year 9 months to 30 Jun to 31 Mar 2012 2012 Actual Actual \$m \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
<b>Cash Flows From Operations</b>						
<b>Cash was provided from</b>						
53,582	38,230	40,390	39,767	623	1.6	55,817
4,890	3,768	3,715	3,730	(15)	(0.4)	4,694
16,812	12,717	12,600	11,949	651	5.4	15,806
2,603	1,891	1,840	2,165	(325)	(15.0)	2,924
4,395	3,361	4,085	4,899	(814)	(16.6)	6,785
<b>82,282</b>	<b>59,967</b>	<b>62,630</b>	<b>62,510</b>	<b>120</b>	<b>0.2</b>	<b>86,026</b>
<b>Cash was disbursed to</b>						
Social assistance and official development assistance		17,280	17,451	171	1.0	23,077
22,840	17,309	44,482	45,228	746	1.6	61,567
59,107	45,146	2,631	2,842	211	7.4	4,622
3,954	2,527	-	-	-	-	317
-	-	-	(518)	(518)	(100.0)	(1,150)
-	-	<b>64,393</b>	<b>65,003</b>	<b>610</b>	<b>0.9</b>	<b>88,433</b>
<b>85,901</b>	<b>64,982</b>	<b>(1,763)</b>	<b>(2,493)</b>	<b>730</b>	<b>29.3</b>	<b>(2,407)</b>
<b>Net cash flows from operations</b>						
<b>Cash Flows From Investing Activities</b>						
<b>Cash was provided from/(disbursed to)</b>						
(5,766)	(4,266)	(3,689)	(5,122)	1,433	28.0	(6,837)
424	5,706	(1,995)	822	(2,817)	(342.7)	8,964
(567)	(413)	(335)	(353)	18	5.1	(553)
(1,284)	(783)	(1,122)	(1,520)	398	26.2	(1,539)
(115)	33	90	36	54	150.0	1,513
-	-	-	-	-	-	(179)
-	-	-	180	(180)	(100.0)	400
<b>(7,308)</b>	<b>277</b>	<b>(7,051)</b>	<b>(5,957)</b>	<b>(1,094)</b>	<b>(18.4)</b>	<b>1,769</b>
<b>Net cash flows from operating and investing activities</b>		<b>(8,814)</b>	<b>(8,450)</b>	<b>(364)</b>	<b>(4.3)</b>	<b>(638)</b>
<b>Cash Flows From Financing Activities</b>						
<b>Cash was provided from/(disbursed to)</b>						
203	262	390	146	244	167.1	160
7,554	3,481	12,087	13,212	(1,125)	(8.5)	5,711
(6,422)	(7,286)	1,667	(190)	1,857	-	(2,292)
10,353	11,406	(2,510)	(2,519)	9	0.4	481
(7)	-	-	-	-	-	-
<b>11,681</b>	<b>7,863</b>	<b>11,634</b>	<b>10,649</b>	<b>985</b>	<b>9.2</b>	<b>4,060</b>
<b>754</b>	<b>3,125</b>	<b>2,820</b>	<b>2,199</b>	<b>621</b>	<b>28.2</b>	<b>3,422</b>
9,801	9,801	10,686	10,686	-	-	10,686
Foreign-exchange gains/(losses) on opening cash		(169)	(156)	(13)	(8.3)	(156)
131	75	<b>13,337</b>	<b>12,729</b>	<b>608</b>	<b>4.8</b>	<b>13,952</b>
<b>10,686</b>	<b>13,001</b>	<b>Closing Cash Balance</b>				

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the nine months ended 31 March 2013

Year 9 months to 30 Jun to 31 Mar 2012 2012 Actual Actual \$m \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
		Actual \$m	Forecast \$m	Variance \$m	%		
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
(3,619)	(5,015)	<b>Net Cash Flows from Operations</b>	<b>(1,763)</b>	<b>(2,493)</b>	<b>730</b>	<b>29.3</b>	<b>(2,407)</b>
<i>Items included in the operating balance but not in net cash flows from operations</i>							
<b>Gains/(losses)</b>							
692	776	Gains/(losses) on financial instruments	5,496	2,739	2,757	100.7	3,301
(6,526)	(3,741)	Gains/(losses) on non-financial instruments	1,687	365	1,322	362.2	568
<b>(5,834)</b>	<b>(2,965)</b>	<b>Total gains/(losses)</b>	<b>7,183</b>	<b>3,104</b>	<b>4,079</b>	<b>131.4</b>	<b>3,869</b>
<b>Other Non-cash Items in Operating Balance</b>							
(6,350)	(3,314)	Depreciation and amortisation	(3,316)	(3,284)	(32)	(1.0)	(4,531)
(850)	(711)	Write-down on initial recognition of financial assets	(563)	(641)	78	12.2	(788)
248	46	Impairment of financial assets (excluding receivables)	8	16	(8)	(50.0)	33
512	434	Non-cash movement in defined benefit retirement plan liabilities	292	285	7	2.5	390
1,070	2,466	Non-cash movement in insurance liabilities	2,527	3,812	(1,285)	(33.7)	2,684
232	162	Other	204	140	64	45.7	197
<b>(5,138)</b>	<b>(917)</b>	<b>Total other non-cash Items</b>	<b>(848)</b>	<b>328</b>	<b>(1,176)</b>	<b>(358.5)</b>	<b>(2,015)</b>
<b>Movements in Working Capital</b>							
(242)	(1,951)	Increase/(decrease) in receivables	(2,517)	(4,199)	1,682	40.1	(3,459)
(175)	(346)	Increase/(decrease) in accrued interest	(307)	(254)	(53)	(20.9)	498
(74)	26	Increase/(decrease) in inventories	(47)	(47)	-	-	(95)
32	353	Increase/(decrease) in prepayments	412	334	78	23.4	(13)
(38)	6	Decrease/(increase) in deferred revenue	97	112	(15)	(13.4)	163
191	1,878	Decrease/(increase) in payables/provisions	308	1,136	(828)	(72.9)	184
<b>(306)</b>	<b>(34)</b>	<b>Total movements in working capital</b>	<b>(2,054)</b>	<b>(2,918)</b>	<b>864</b>	<b>29.6</b>	<b>(2,722)</b>
<b>(14,897)</b>	<b>(8,931)</b>	<b>Operating Balance</b>	<b>2,518</b>	<b>(1,979)</b>	<b>4,497</b>	<b>227.2</b>	<b>(3,275)</b>

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

## STATEMENT OF CHANGES IN NET WORTH

for the nine months ended 31 March 2013

Year to 30 Jun 2012 Actual \$m	9 months to 31 Mar 2012 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>80,887</b>	<b>80,887</b>	<b>Opening net worth</b>	<b>59,780</b>	<b>59,780</b>	-	-	<b>59,780</b>
(14,841)	(8,931)	Operating balance (including minority interest)	2,518	(1,979)	4,497	227.2	(3,275)
(6,461)	2	Net revaluations	(50)	(28)	(22)	(78.6)	(16)
80	157	Transfers to/(from) reserves (Gains)/losses transferred to the	91	8	83	-	(39)
83	1	statement of financial performance	2	15	(13)	(86.7)	(1)
(8)	67	Other movements	(9)	13	(22)	(169.2)	93
<b>(21,147)</b>	<b>(8,704)</b>	<b>Total comprehensive income</b>	<b>2,552</b>	<b>(1,971)</b>	<b>4,523</b>	<b>229.5</b>	<b>(3,238)</b>
-	-	Gain on Government share offers	-	-	-	-	175
-	-	Partial share sales in SOEs	-	-	-	-	1,325
40	-	Transactions with minority interests	-	-	-	-	20
<b>59,780</b>	<b>72,183</b>	<b>Closing net worth</b>	<b>62,332</b>	<b>57,809</b>	<b>4,523</b>	<b>7.8</b>	<b>58,062</b>
		<b>Attributable to:</b>					
432	308	- minority interest	432	432	-	-	1,777
59,348	71,875	- the Crown	61,900	57,377	4,523	7.9	56,285
<b>59,780</b>	<b>72,183</b>	<b>Closing net worth</b>	<b>62,332</b>	<b>57,809</b>	<b>4,523</b>	<b>7.9</b>	<b>58,062</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

As at 30 Jun 2012 Actual \$m	As at 31 Mar 2012 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Assets</b>						
10,686	13,001	Cash and cash equivalents	12	13,337	12,729	608	4.8	13,952
20,956	19,259	Receivables	12	18,434	16,898	1,536	9.1	17,627
		Marketable securities, deposits and derivatives in gain	12	47,234	45,871	1,363	3.0	39,399
14,385	14,680	Share investments	12	16,618	16,028	590	3.7	16,302
21,766	21,259	Advances	12	23,484	23,311	173	0.7	23,398
1,234	1,334	Inventory		1,187	1,187	-	-	1,139
2,134	2,392	Other assets		2,602	2,411	191	7.9	1,972
108,584	116,298	Property, plant & equipment	13	107,940	110,827	(2,887)	(2.6)	111,719
9,483	9,813	Equity accounted investments <sup>1</sup>		9,580	9,660	(80)	(0.8)	9,825
2,705	2,474	Intangible assets and goodwill		2,597	2,607	(10)	(0.4)	2,708
-	-	Forecast for new capital spending		-	-	-	-	179
-	-	Top-down capital adjustment		-	(180)	180	100.0	(400)
<b>240,318</b>	<b>244,230</b>	<b>Total assets</b>		<b>243,013</b>	<b>241,349</b>	<b>1,664</b>	<b>0.7</b>	<b>237,820</b>
		<b>Liabilities</b>						
4,457	4,516	Issued currency		4,847	4,603	(244)	(5.3)	4,617
11,604	11,292	Payables	15	10,863	11,294	431	3.8	12,423
1,712	1,668	Deferred revenue		1,615	1,600	(15)	(0.9)	1,548
100,534	97,441	Borrowings		105,806	108,274	2,468	2.3	102,749
41,186	38,533	Insurance liabilities	16	37,973	37,310	(663)	(1.8)	38,160
13,539	11,934	Retirement plan liabilities		12,329	13,064	735	5.6	12,960
7,506	6,663	Provisions	17	7,248	7,395	147	2.0	7,301
<b>180,538</b>	<b>172,047</b>	<b>Total liabilities</b>		<b>180,681</b>	<b>183,540</b>	<b>2,859</b>	<b>1.6</b>	<b>179,758</b>
<b>59,780</b>	<b>72,183</b>	<b>Total assets less total liabilities</b>		<b>62,332</b>	<b>57,809</b>	<b>4,523</b>	<b>7.8</b>	<b>58,062</b>
		<b>Net Worth</b>						
3,520	9,406	Taxpayer funds	18	6,193	1,571	4,622	294.2	486
56,001	62,542	Revaluation reserve	18	55,798	55,942	(144)	(0.3)	55,915
(173)	(73)	Other reserves	18	(91)	(136)	45	33.1	(116)
<b>59,348</b>	<b>71,875</b>	<b>Total net worth attributable to the Crown</b>		<b>61,900</b>	<b>57,377</b>	<b>4,523</b>	<b>7.9</b>	<b>56,285</b>
432	308	Net worth attributable to minority interest		432	432	-	-	1,777
<b>59,780</b>	<b>72,183</b>	<b>Total net worth</b>		<b>62,332</b>	<b>57,809</b>	<b>4,523</b>	<b>7.8</b>	<b>58,062</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 March 2013

As at 30 Jun 2012 Actual \$m	As at 31 Mar 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
53,849	49,758	Government bonds <sup>1</sup>	61,809	65,448	3,639	5.6	57,159
8,954	8,651	Treasury bills	4,326	4,443	117	2.6	4,599
229	242	Government retail stock	201	221	20	9.0	221
5,917	6,778	Settlement deposits with Reserve Bank	7,315	6,855	(460)	(6.7)	6,855
2,807	2,637	Derivatives in loss	2,658	2,424	(234)	(9.7)	2,337
1,515	1,086	Finance lease liabilities	1,372	1,422	50	3.5	1,586
27,263	28,289	Other borrowings	28,125	27,461	(664)	(2.4)	29,992
<b>100,534</b>	<b>97,441</b>	<b>Total borrowings</b>	<b>105,806</b>	<b>108,274</b>	<b>2,468</b>	<b>2.3</b>	<b>102,749</b>
75,701	72,694	Sovereign-guaranteed debt	80,804	82,119	1,315	1.6	76,400
24,833	24,747	Non sovereign-guaranteed debt	25,002	26,155	1,153	4.4	26,349
<b>100,534</b>	<b>97,441</b>	<b>Total borrowings</b>	<b>105,806</b>	<b>108,274</b>	<b>2,468</b>	<b>2.3</b>	<b>102,749</b>
		<b>Net Debt:</b>					
84,680	81,809	Core Crown borrowings <sup>2</sup>	90,934	92,130	1,196	1.3	86,282
(512)	(517)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(745)	(678)	67	9.9	(671)
<b>84,168</b>	<b>81,292</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>90,189</b>	<b>91,452</b>	<b>1,263</b>	<b>1.4</b>	<b>85,611</b>
64,017	61,905	Less core Crown financial assets <sup>4</sup>	66,223	64,332	1,891	2.9	59,177
<b>20,151</b>	<b>19,387</b>	<b>Net core Crown debt</b>	<b>23,966</b>	<b>27,120</b>	<b>3,154</b>	<b>11.6</b>	<b>26,434</b>
13,324	12,715	Core crown advances	13,557	13,599	42	0.3	13,898
<b>33,475</b>	<b>32,102</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>37,523</b>	<b>40,719</b>	<b>3,196</b>	<b>7.8</b>	<b>40,332</b>
17,196	17,958	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	20,960	19,217	(1,743)	(9.1)	19,666
<b>50,671</b>	<b>50,060</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>58,483</b>	<b>59,936</b>	<b>1,453</b>	<b>2.4</b>	<b>59,998</b>
		<b>Gross Debt:</b>					
84,168	81,292	Gross sovereign-issued debt <sup>3</sup>	90,189	91,452	1,263	1.4	85,611
(6,133)	(6,964)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,546)	(7,038)	508	7.2	(7,035)
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>75,928</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills</b>	<b>84,243</b>	<b>86,014</b>	<b>1,771</b>	<b>2.1</b>	<b>80,176</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 March 2013

	As at 31 Mar 2013 \$m	As at 30 Jun 2012 \$m	As at 31 Mar 2012 \$m
<b>Capital Commitments</b>			
Specialist military equipment	111	239	331
Land and buildings	804	697	609
Other property, plant and equipment	6,373	6,001	6,921
Other capital commitments	661	572	344
Tertiary Education Institutions	255	255	413
<b>Total capital commitments</b>	<b>8,204</b>	<b>7,764</b>	<b>8,618</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	2,471	2,719	2,757
Other non-cancellable leases	3,431	3,549	2,974
Tertiary Education Institutions	282	282	366
<b>Total operating commitments</b>	<b>6,184</b>	<b>6,550</b>	<b>6,097</b>
<b>Total commitments</b>	<b>14,388</b>	<b>14,314</b>	<b>14,715</b>
<b>Total Commitments by Segment</b>			
Core Crown	6,241	15,685	8,424
Crown entities	6,306	7,753	7,742
State-owned Enterprises	5,509	5,300	6,823
Inter-segment eliminations	(3,668)	(14,424)	(8,274)
<b>Total commitments</b>	<b>14,388</b>	<b>14,314</b>	<b>14,715</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 March 2013

	As at 31 Mar 2013 \$m	As at 30 Jun 2012 \$m	As at 31 Mar 2012 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	183	430	461
Uncalled capital	5,864	6,327	5,206
Legal proceedings and disputes	410	411	358
Other contingent liabilities	392	584	2,202
<b>Total quantifiable contingent liabilities</b>	<b>6,849</b>	<b>7,752</b>	<b>8,227</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	6,598	7,622	8,000
Crown entities	79	40	93
State-owned Enterprises	172	90	134
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>6,849</b>	<b>7,752</b>	<b>8,227</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	338	224	684
Crown entities	8	162	20
State owned enterprises	21	24	-
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>367</b>	<b>410</b>	<b>704</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

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## NOTE 1: Accounting Policies

### 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 85 and 86 of the *HYEFU* released on 18 December 2012.

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

### Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities, including *NZ IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity.

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. These interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the information included in the Financial Statements of the Government of New Zealand for the year ended 30 June 2012.

### 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>

### Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2013.

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/hyefu2012>

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: Accounting Policies (continued)

#### 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.

#### Variance Percentages

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year 9 months to 30 Jun to 31 Mar		Current Year Actual vs Forecast				Annual Forecast
2012 Actual \$m	2012 Actual \$m	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
<b>NOTE 2: Sovereign Revenue (Accrual)</b>						
<b>Taxation Revenue (accrual)</b>						
<b>Individuals</b>						
21,237	15,764	16,508	16,321	187	1.1	22,038
4,232	3,187	3,762	3,409	353	10.4	4,641
(1,736)	(1,129)	(966)	(1,000)	34	3.4	(1,564)
462	356	357	338	19	5.6	439
<b>24,195</b>	<b>18,178</b>	<b>19,661</b>	<b>19,068</b>	<b>593</b>	<b>3.1</b>	<b>25,554</b>
<b>Corporate Tax</b>						
8,310	4,846	4,786	5,030	(244)	(4.9)	8,487
(202)	(153)	(109)	(133)	24	18.0	(214)
500	345	289	274	15	5.5	396
4	4	-	-	-	-	-
<b>8,612</b>	<b>5,042</b>	<b>4,966</b>	<b>5,171</b>	<b>(205)</b>	<b>(4.0)</b>	<b>8,669</b>
<b>Other Income Tax</b>						
1,679	1,269	1,234	1,151	83	7.2	1,515
292	186	254	245	9	3.7	382
<b>1,971</b>	<b>1,455</b>	<b>1,488</b>	<b>1,396</b>	<b>92</b>	<b>6.6</b>	<b>1,897</b>
<b>34,778</b>	<b>24,675</b>	<b>26,115</b>	<b>25,635</b>	<b>480</b>	<b>1.9</b>	<b>36,120</b>
<b>Goods and Services Tax</b>						
25,199	18,639	18,554	19,095	(541)	(2.8)	25,814
(10,627)	(7,924)	(7,336)	(7,899)	563	7.1	(10,512)
<b>14,572</b>	<b>10,715</b>	<b>11,218</b>	<b>11,196</b>	<b>22</b>	<b>0.2</b>	<b>15,302</b>
<b>Other Taxation</b>						
1,045	786	800	842	(42)	(5.0)	1,114
847	616	640	632	8	1.3	905
656	497	503	516	(13)	(2.5)	672
244	218	263	225	38	16.9	248
631	460	467	513	(46)	(9.0)	656
241	185	195	178	17	9.6	230
993	751	762	746	16	2.1	932
173	135	144	132	12	9.1	205
216	162	162	168	(6)	(3.6)	225
175	131	133	130	3	2.3	179
58	43	31	35	(4)	(11.4)	50
36	25	22	23	(1)	(4.3)	36
<b>5,315</b>	<b>4,009</b>	<b>4,122</b>	<b>4,140</b>	<b>(18)</b>	<b>(0.4)</b>	<b>5,452</b>
<b>19,887</b>	<b>14,724</b>	<b>15,340</b>	<b>15,336</b>	<b>4</b>	<b>-</b>	<b>20,754</b>
<b>54,665</b>	<b>39,399</b>	<b>41,455</b>	<b>40,971</b>	<b>484</b>	<b>1.2</b>	<b>56,874</b>
<b>Other Sovereign Revenue (accrual)</b>						
3,695	2,814	2,554	2,559	(5)	(0.2)	3,427
326	248	250	247	3	1.2	325
107	72	174	174	-	-	242
1,002	649	809	867	(58)	(6.7)	1,134
<b>5,130</b>	<b>3,783</b>	<b>3,787</b>	<b>3,847</b>	<b>(60)</b>	<b>(1.6)</b>	<b>5,128</b>
<b>59,795</b>	<b>43,182</b>	<b>45,242</b>	<b>44,818</b>	<b>424</b>	<b>0.9</b>	<b>62,002</b>

1. Customs excise-equivalent duty

## NOTES TO THE FINANCIAL STATEMENTS

Year 9 months to 30 Jun to 31 Mar		Current Year Actual vs Forecast					
2012	2012					Annual	
Actual	Actual		Actual	Forecast	Variance	Forecast	
\$m	\$m		\$m	\$m	\$m	%	
						\$m	
<b>NOTE 2 (continued): Sovereign Receipts (Cash)</b>							
<b>Income Tax Receipts (cash)</b>							
<b>Individuals</b>							
21,010	15,622	Source deductions	16,506	16,276	230	1.4	21,924
4,720	2,750	Other persons	2,983	2,955	28	0.9	4,944
(2,468)	(1,843)	Refunds	(1,600)	(1,629)	29	1.8	(2,212)
458	327	Fringe benefit tax	331	321	10	3.1	438
<b>23,720</b>	<b>16,856</b>	<b>Total individuals</b>	<b>18,220</b>	<b>17,923</b>	<b>297</b>	<b>1.7</b>	<b>25,094</b>
<b>Corporate Tax</b>							
8,792	6,002	Gross companies tax	6,078	6,110	(32)	(0.5)	8,660
(814)	(461)	Refunds	(430)	(459)	29	6.3	(665)
434	324	Non-resident withholding tax	325	273	52	19.0	395
4	4	Foreign-source dividend w/holding payments	-	-	-	-	-
<b>8,416</b>	<b>5,869</b>	<b>Total corporate tax</b>	<b>5,973</b>	<b>5,924</b>	<b>49</b>	<b>0.8</b>	<b>8,390</b>
<b>Other Income Tax</b>							
1,699	1,205	Resident w/holding tax on interest income	1,160	1,081	79	7.3	1,514
290	186	Resident w/holding tax on dividend income	270	248	22	8.9	382
<b>1,989</b>	<b>1,391</b>	<b>Total other income tax</b>	<b>1,430</b>	<b>1,329</b>	<b>101</b>	<b>7.6</b>	<b>1,896</b>
<b>34,125</b>	<b>24,116</b>	<b>Total income tax</b>	<b>25,623</b>	<b>25,176</b>	<b>447</b>	<b>1.8</b>	<b>35,380</b>
<b>Goods and Services Tax</b>							
24,574	17,990	Gross goods and services tax	17,914	18,082	(168)	(0.9)	24,997
(10,435)	(7,925)	Refunds	(7,351)	(7,675)	324	4.2	(10,012)
<b>14,139</b>	<b>10,065</b>	<b>Total goods and services tax</b>	<b>10,563</b>	<b>10,407</b>	<b>156</b>	<b>1.5</b>	<b>14,985</b>
<b>Other Taxation</b>							
1,048	791	Road user charges	797	842	(45)	(5.3)	1,114
845	635	Petroleum fuels excise - domestic production	651	665	(14)	(2.1)	905
654	499	Alcohol excise - domestic production	507	512	(5)	(1.0)	672
238	223	Tobacco excise - domestic production	277	226	51	22.6	248
2,057	1,554	Customs duty	1,623	1,582	41	2.6	2,023
216	162	Gaming duties	162	169	(7)	(4.1)	225
169	120	Motor vehicle fees	134	130	4	3.1	179
55	40	Approved issuer levy and cheque duty	31	35	(4)	(11.4)	50
36	25	Energy resources levies	22	23	(1)	(4.3)	36
<b>5,318</b>	<b>4,049</b>	<b>Total other indirect taxation</b>	<b>4,204</b>	<b>4,184</b>	<b>20</b>	<b>0.5</b>	<b>5,452</b>
<b>19,457</b>	<b>14,114</b>	<b>Total indirect taxation</b>	<b>14,767</b>	<b>14,591</b>	<b>176</b>	<b>1.2</b>	<b>20,437</b>
<b>53,582</b>	<b>38,230</b>	<b>Total tax receipts collected</b>	<b>40,390</b>	<b>39,767</b>	<b>623</b>	<b>1.6</b>	<b>55,817</b>
<b>Other Sovereign Receipts (cash)</b>							
3,693	2,878	ACC levies	2,721	2,719	2	0.1	3,424
326	248	Fire Service levies	250	247	3	1.2	325
134	67	EQC levies	209	201	8	4.0	277
737	575	Other miscellaneous items	535	563	(28)	(5.0)	668
<b>4,890</b>	<b>3,768</b>	<b>Total other sovereign receipts</b>	<b>3,715</b>	<b>3,730</b>	<b>(15)</b>	<b>(0.4)</b>	<b>4,694</b>
<b>58,472</b>	<b>41,998</b>	<b>Total sovereign receipts</b>	<b>44,105</b>	<b>43,497</b>	<b>608</b>	<b>1.4</b>	<b>60,511</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year 9 months to 30 Jun to 31 Mar 2012 2012 Actual Actual \$m \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 3: Interest Revenue and Dividends</b>						
<i>By type</i>						
2,293	1,711	1,756	1,955	(199)	(10.2)	2,676
470	350	392	416	(24)	(5.8)	535
<b>2,763</b>	<b>2,061</b>	<b>2,148</b>	<b>2,371</b>	<b>(223)</b>	<b>(9.4)</b>	<b>3,211</b>
<i>By source</i>						
1,795	1,394	1,572	1,685	(113)	(6.7)	2,261
1,181	860	894	835	59	7.1	1,114
858	638	632	635	(3)	(0.5)	864
(1,071)	(831)	(950)	(784)	(166)	(21.2)	(1,028)
<b>2,763</b>	<b>2,061</b>	<b>2,148</b>	<b>2,371</b>	<b>(223)</b>	<b>(9.4)</b>	<b>3,211</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>						
9,584	7,110	7,590	7,589	(1)	-	10,228
2,082	1,526	1,496	1,485	(11)	(0.7)	2,062
1,811	1,361	1,316	1,317	1	0.1	1,751
1,325	994	996	992	(4)	(0.4)	1,323
1,195	903	889	900	11	1.2	1,197
883	688	632	647	15	2.3	836
775	581	589	588	(1)	(0.2)	784
567	379	373	362	(11)	(3.0)	541
644	440	413	430	17	4.0	623
580	434	465	463	(2)	(0.4)	614
401	303	289	275	(14)	(5.1)	363
1,309	966	1,081	1,099	18	1.6	1,442
<b>21,156</b>	<b>15,685</b>	<b>16,129</b>	<b>16,147</b>	<b>18</b>	<b>0.1</b>	<b>21,764</b>
<i>Subsidies</i>						
688	504	537	529	(8)	(1.5)	710
<i>Other transfer payments</i>						
510	334	243	323	80	24.8	533
<b>22,354</b>	<b>16,523</b>	<b>16,909</b>	<b>16,999</b>	<b>90</b>	<b>0.5</b>	<b>23,007</b>
<b>NOTE 5: Personnel Expenses</b>						
5,915	4,348	4,438	4,457	19	0.4	6,067
10,754	7,994	8,251	8,301	50	0.6	11,100
2,819	2,092	2,209	2,131	(78)	(3.7)	2,827
(13)	(8)	(9)	(8)	1	12.5	(11)
<b>19,475</b>	<b>14,426</b>	<b>14,889</b>	<b>14,881</b>	<b>(8)</b>	<b>(0.1)</b>	<b>19,983</b>
<b>NOTE 6: Operating Expenses</b>						
<i>By type</i>						
6,350	3,314	3,316	3,284	(32)	(1.0)	4,531
35,678	26,070	26,771	26,747	(24)	(0.1)	37,455
-	-	-	-	-	-	317
-	-	-	(518)	(518)	(100.0)	(1,150)
<b>42,028</b>	<b>29,384</b>	<b>30,087</b>	<b>29,513</b>	<b>(574)</b>	<b>(1.9)</b>	<b>41,153</b>
<i>By source</i>						
37,278	27,421	28,069	28,066	(3)	-	39,338
17,897	13,213	13,365	13,347	(18)	(0.1)	18,792
13,174	8,242	8,586	8,072	(514)	(6.4)	10,272
(26,321)	(19,492)	(19,933)	(19,972)	(39)	(0.2)	(27,249)
<b>42,028</b>	<b>29,384</b>	<b>30,087</b>	<b>29,513</b>	<b>(574)</b>	<b>(1.9)</b>	<b>41,153</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year 9 months to 30 Jun 2012		Year 9 months to 31 Mar 2012		Current Year Actual vs Forecast			
Actual \$m	Actual \$m	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
<b>NOTE 7: Interest Expenses</b>							
<i>By type</i>							
4,223	3,033	3,213	3,266	53	1.6	4,361	
67	11	32	37	5	13.5	49	
<b>4,290</b>	<b>3,044</b>	<b>3,245</b>	<b>3,303</b>	<b>58</b>	<b>1.8</b>	<b>4,410</b>	
<i>By source</i>							
3,511	2,680	2,750	2,729	(21)	(0.8)	3,579	
246	187	178	183	5	2.7	245	
1,268	807	851	857	6	0.7	1,181	
(735)	(630)	(534)	(466)	68	14.6	(595)	
<b>4,290</b>	<b>3,044</b>	<b>3,245</b>	<b>3,303</b>	<b>58</b>	<b>1.8</b>	<b>4,410</b>	
<b>NOTE 8: Insurance Expenses</b>							
<i>By entity</i>							
3,010	2,181	2,266	2,362	96	4.1	3,388	
1,073	987	105	128	23	18.0	101	
586	256	14	(78)	(92)	(117.9)	(108)	
20	(43)	18	11	(7)	(63.6)	17	
(113)	-	(14)	(24)	(10)	(41.7)	(24)	
<b>4,576</b>	<b>3,381</b>	<b>2,389</b>	<b>2,399</b>	<b>10</b>	<b>0.4</b>	<b>3,374</b>	
<b>NOTE 9: Gains and Losses on Financial Instruments</b>							
<i>By source</i>							
526	978	3,915	2,174	1,741	80.1	2,573	
930	633	1,496	703	793	112.8	789	
9	(309)	(58)	(28)	(30)	(107.1)	92	
(773)	(526)	143	(110)	253	230.0	(153)	
<b>692</b>	<b>776</b>	<b>5,496</b>	<b>2,739</b>	<b>2,757</b>	<b>100.7</b>	<b>3,301</b>	
<b>NOTE 10: Gains and Losses on Non-Financial Instruments</b>							
<i>By type</i>							
(3,896)	(2,211)	918	190	728	383.2	190	
(2,942)	(1,685)	686	64	622	-	343	
312	155	83	111	(28)	(25.2)	35	
<b>(6,526)</b>	<b>(3,741)</b>	<b>1,687</b>	<b>365</b>	<b>1,322</b>	<b>362.2</b>	<b>568</b>	
<i>By source</i>							
(3,790)	(2,129)	1,082	330	752	227.9	255	
(2,955)	(1,748)	619	40	579	-	314	
220	136	(14)	(5)	(9)	(180.0)	-	
(1)	-	-	-	-	-	(1)	
<b>(6,526)</b>	<b>(3,741)</b>	<b>1,687</b>	<b>365</b>	<b>1,322</b>	<b>362.2</b>	<b>568</b>	

1. The most recent GSF valuation is as at 28 February 2013.

2. The most recent ACC valuation is as at 31 December 2012.



## NOTES TO THE FINANCIAL STATEMENTS

		<b>NOTE 11: Operating Balance</b>						
		<b>By source</b>						
(11,671)	(8,551)	Core Crown	(1,300)	(4,402)	3,102	70.5	(6,159)	
(641)	215	Crown entities	3,712	2,214	1,498	67.7	2,520	
(1,423)	278	State-owned Enterprises	408	714	(306)	(42.9)	1,025	
(1,162)	(873)	Inter-segment eliminations	(302)	(505)	203	40.2	(661)	
<b>(14,897)</b>	<b>(8,931)</b>	<b>Total operating balance</b>	<b>2,518</b>	<b>(1,979)</b>	<b>4,497</b>	<b>227.2</b>	<b>(3,275)</b>	
		<b>NOTE 12: Financial Assets and Sovereign Receivables</b>						
10,686	13,001	Cash and cash equivalents	13,337	12,729	608	4.8	13,952	
7,257	7,167	Tax receivables	7,117	7,481	(364)	(4.9)	7,328	
13,699	12,092	Trade and other receivables	11,317	9,417	1,900	20.2	10,299	
8,291	7,968	Student loans	8,701	8,826	(125)	(1.4)	8,813	
12,445	12,308	Kiwibank mortgages	13,013	13,151	(138)	(1.0)	13,433	
2,422	2,024	Long-term deposits	2,131	1,701	430	25.3	1,388	
2,249	2,189	IMF financial assets	2,069	2,370	(301)	(12.7)	2,381	
1,030	983	Other advances <sup>1</sup>	1,770	1,334	436	32.7	1,152	
14,385	14,680	Share investments	16,018	16,028	590	3.7	16,302	
5,032	5,007	Derivatives in gain	5,218	4,517	701	15.5	3,899	
38,682	34,500	Other marketable securities	37,816	37,283	533	1.4	31,731	
<b>116,178</b>	<b>111,919</b>	<b>Total financial assets and sovereign receivables</b>	<b>119,107</b>	<b>114,837</b>	<b>4,270</b>	<b>3.7</b>	<b>110,678</b>	
		<b>Financial assets by entity</b>						
26,062	22,872	NZDMO	27,212	25,457	1,755	6.9	16,482	
17,573	18,472	Reserve Bank of New Zealand	19,055	18,003	1,052	5.8	17,964	
18,703	19,327	NZ Superannuation Fund	22,354	21,049	1,305	6.2	21,491	
20,567	19,766	Other core Crown	22,260	21,078	1,182	5.6	20,237	
(7,924)	(8,455)	Intra-segment eliminations	(14,083)	(10,088)	(3,995)	(39.6)	(6,435)	
<b>74,981</b>	<b>71,982</b>	<b>Total core Crown segment</b>	<b>76,798</b>	<b>75,499</b>	<b>1,299</b>	<b>1.7</b>	<b>69,739</b>	
25,340	23,527	ACC portfolio	27,185	26,436	749	3	28,871	
7,252	7,486	EQC portfolio	6,105	5,245	860	16	4,256	
11,168	8,937	Other Crown entities	10,842	10,010	832	8	9,691	
(3,685)	(3,471)	Intra-segment eliminations	(3,690)	(3,654)	(36)	(1.0)	(3,693)	
<b>40,075</b>	<b>36,479</b>	<b>Total Crown entities segment</b>	<b>40,442</b>	<b>38,037</b>	<b>2,405</b>	<b>6.3</b>	<b>39,125</b>	
<b>19,186</b>	<b>20,778</b>	<b>Total State-owned enterprises segment</b>	<b>20,334</b>	<b>19,439</b>	<b>895</b>	<b>4.6</b>	<b>20,053</b>	
(18,064)	(17,320)	Inter-segment eliminations	(18,467)	(18,138)	(329)	(1.8)	(18,239)	
<b>116,178</b>	<b>111,919</b>	<b>Total financial assets</b>	<b>119,107</b>	<b>114,837</b>	<b>4,270</b>	<b>3.7</b>	<b>110,678</b>	

1. Other advances includes finance lease receivables.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 31 Mar 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: Property, Plant and Equipment</b>							
<b>Net Carrying Value</b>							
<i>By class of asset:</i>							
33,626	36,066	Land (valuation) <sup>1</sup>	33,371	33,756	(385)	(1.1)	34,159
25,046	24,287	Buildings (valuation)	24,846	25,310	(464)	(1.8)	25,306
17,546	17,227	State highways (valuation) - excluding land	17,934	18,027	(93)	(0.5)	18,253
14,400	14,745	Electricity generation assets (valuation)	13,787	14,700	(913)	(6.2)	14,810
3,476	3,096	Electricity distribution network (cost)	3,765	3,955	(190)	(4.8)	3,906
3,220	3,247	Specialist military equipment (valuation)	3,114	3,206	(92)	(2.9)	3,148
2,514	2,462	Specified cultural and heritage assets (valuation)	2,495	2,500	(5)	(0.2)	2,481
2,250	2,167	Aircraft (excl military) (valuation)	2,308	2,385	(77)	(3.2)	2,273
856	7,297	Rail network (valuation) - excluding land	1,033	1,052	(19)	(1.8)	1,059
5,650	5,704	Other plant and equipment (cost)	5,287	5,936	(649)	(10.9)	6,324
<b>108,584</b>	<b>116,298</b>	<b>Total net carrying value</b>	<b>107,940</b>	<b>110,827</b>	<b>(2,887)</b>	<b>(2.6)</b>	<b>111,719</b>
<i>By source:</i>							
29,377	29,391	Core Crown	29,007	29,565	(558)	(1.9)	29,994
49,939	48,831	Crown entities	50,309	50,868	(559)	(1.1)	51,247
29,268	38,076	State-owned enterprises	28,624	30,394	(1,770)	(5.8)	30,478
-	-	Inter-segment eliminations	-	-	-	-	-
<b>108,584</b>	<b>116,298</b>	<b>Total net carrying value</b>	<b>107,940</b>	<b>110,827</b>	<b>(2,887)</b>	<b>(2.6)</b>	<b>111,719</b>
<i>Land breakdown by usage<sup>1</sup></i>							
8,744	8,408	Housing stock	8,713	8,776	(63)	(0.7)	8,756
8,353	8,353	State highway corridor land	8,353	8,353	-	-	8,503
5,454	5,690	Conservation estate	5,428	5,425	3	0.1	5,444
3,260	5,641	Rail network corridor land	3,256	3,260	(4)	(0.1)	3,260
2,726	2,702	Schools	2,703	2,714	(11)	(0.4)	2,743
1,471	1,546	Commercial (SOE) excluding rail	1,398	1,491	(93)	(6.2)	1,491
3,618	3,726	Other	3,520	3,737	(217)	(5.8)	3,962
<b>33,626</b>	<b>36,066</b>	<b>Total land</b>	<b>33,371</b>	<b>33,756</b>	<b>(385)</b>	<b>(1.1)</b>	<b>34,159</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	-	-	121,717
6,514	4,852	Additions	3,931	5,259	(1,328)	(25.3)	7,495
(941)	(353)	Disposals	(657)	(316)	(341)	(107.9)	(616)
(9,793)	12	Net revaluations	(93)	(9)	(84)	-	15
(664)	186	Other <sup>2</sup>	(1,275)	24	(1,299)	-	73
<b>121,717</b>	<b>131,298</b>	<b>Total cost or valuation</b>	<b>123,623</b>	<b>126,675</b>	<b>(3,052)</b>	<b>(2.4)</b>	<b>128,684</b>
<b>Accumulated depreciation and impairment</b>							
11,747	11,747	Opening balance	13,133	13,133	-	-	13,133
(634)	(278)	Eliminated on disposal	(137)	(61)	(76)	(124.6)	(31)
(3,415)	(40)	Eliminated on revaluation	-	-	-	-	(1)
5,687	3,420	Depreciation expense and impairment losses	3,138	2,839	299	10.5	3,908
(252)	151	Other <sup>2</sup>	(451)	(63)	(388)	-	(44)
<b>13,133</b>	<b>15,000</b>	<b>Total accumulated depreciation and impairment</b>	<b>15,683</b>	<b>15,848</b>	<b>(165)</b>	<b>(1.0)</b>	<b>16,965</b>
<b>108,584</b>	<b>116,298</b>	<b>Total property, plant and equipment</b>	<b>107,940</b>	<b>110,827</b>	<b>(2,887)</b>	<b>(2.6)</b>	<b>111,719</b>
2. Other mainly includes transfers to/from other asset categories including transfers to finance lease receivables.							

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 31 Mar 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13 (continued): Property, Plant and Equipment</b>							
<b>Additions - by functional classification</b>							
2,291	1,729	Transport and communications	1,403	1,624	(221)	(13.6)	2,128
2,036	1,341	Economic and industrial services	1,040	1,393	(353)	(25.3)	1,750
442	543	Education	333	477	(144)	(30.2)	827
627	410	Health	409	611	(202)	(33.1)	804
339	255	Defence	130	244	(114)	(46.7)	449
779	574	Other	616	910	(294)	(32.3)	1,537
<b>6,514</b>	<b>4,852</b>	<b>Total additions</b>	<b>3,931</b>	<b>5,259</b>	<b>(1,328)</b>	<b>(25.3)</b>	<b>7,495</b>
<b>NOTE 14: NZ Superannuation Fund</b>							
539	384	Revenue	408	477	(69)	(14.5)	642
160	272	Less current tax expense	845	495	(350)	(70.7)	602
132	91	Less other expenses <sup>1</sup>	103	131	28	21.4	182
(204)	514	Add gains/(losses)	3,469	1,776	1,693	95.3	2,110
<b>43</b>	<b>535</b>	<b>Operating balance</b>	<b>2,929</b>	<b>1,627</b>	<b>1,302</b>	<b>80.0</b>	<b>1,968</b>
18,652	18,652	Opening net worth	18,703	18,703	-	-	18,703
43	535	Operating balance	2,929	1,627	1,302	80.0	1,968
8	2	Other movements in reserves	1	12	(11)	(91.7)	19
<b>18,703</b>	<b>19,189</b>	<b>Closing net worth</b>	<b>21,633</b>	<b>20,342</b>	<b>1,291</b>	<b>6.3</b>	<b>20,690</b>
<i>comprising:</i>							
18,815	19,327	Financial assets	22,354	21,049	1,305	6.2	21,491
(1,317)	(1,275)	Financial liabilities	(1,903)	(1,881)	(22)	(1.2)	(1,964)
1,205	1,137	Net other assets	1,182	1,174	8	0.7	1,163
<b>18,703</b>	<b>19,189</b>	<b>Closing net worth</b>	<b>21,633</b>	<b>20,342</b>	<b>1,291</b>	<b>6.3</b>	<b>20,690</b>
<b>Core Crown revenue (excl NZS Fund)</b>							
60,565	43,550	Core Crown revenue	45,832	45,297	535	1.2	62,939
539	384	Less NZS Fund revenue	408	477	(69)	(14.5)	642
160	272	Add back NZS Fund intra-segment revenue	845	495	350	70.7	602
<b>60,186</b>	<b>43,438</b>	<b>Core Crown revenue (excl NZS Fund)</b>	<b>46,269</b>	<b>45,315</b>	<b>954</b>	<b>2.1</b>	<b>62,899</b>
<b>OBEGAL excluding NZS Fund</b>							
(9,240)	(6,129)	Total Crown OBEGAL	(4,950)	(5,223)	273	5.2	(7,340)
539	384	Less NZS Fund revenue	408	477	(69)	(14.5)	642
77	52	Add back NZS Fund external expenses	67	102	(35)	(34.3)	141
160	272	Add back NZS Fund tax	845	495	350	70.7	602
<b>(9,542)</b>	<b>(6,189)</b>	<b>OBEGAL excluding NZS Fund</b>	<b>(4,446)</b>	<b>(5,103)</b>	<b>657</b>	<b>12.9</b>	<b>(7,239)</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 31 Mar 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 15: Payables</b>							
8,255	8,657	Accounts payable	8,062	8,448	386	4.6	8,990
3,349	2,635	Taxes repayable	2,801	2,846	45	1.6	3,433
<b>11,604</b>	<b>11,292</b>	<b>Total payables</b>	<b>10,863</b>	<b>11,294</b>	<b>431</b>	<b>3.8</b>	<b>12,423</b>
<b>NOTE 16: Insurance liabilities</b>							
30,648	27,249	ACC liability	28,927	29,571	644	2.2	31,598
8,877	9,160	EQC property damage liability	7,588	6,860	(728)	(10.6)	5,785
2,062	2,067	Southern Response (formerly AMI Insurance)	1,849	1,275	(574)	(45.0)	1,042
48	57	Other insurance liabilities	44	44	-	-	51
(449)	-	Inter-segment eliminations	(435)	(440)	(5)	(1.1)	(316)
<b>41,186</b>	<b>38,533</b>	<b>Total insurance liabilities</b>	<b>37,973</b>	<b>37,310</b>	<b>(663)</b>	<b>(1.8)</b>	<b>38,160</b>
<b>NOTE 17: Provisions</b>							
375	600	Provision for ETS Credits <sup>1</sup>	6	73	67	91.4	215
1,076	940	Provision for National Provident Fund guarantee	1,038	1,031	(7)	(0.7)	1,033
3,253	2,956	Provision for employee entitlements	3,058	3,150	92	2.9	3,239
745	524	Provision for Canterbury Red Zone support package	477	565	88	15.6	316
530	-	Provision for Infrastructure costs	1,359	1,240	(119)	(9.6)	409
189	567	Provision for weathertight services financial assistance package	185	194	9	4.6	156
1,338	1,076	Other provisions	1,125	1,142	17	1.5	1,933
<b>7,506</b>	<b>6,663</b>	<b>Total provisions</b>	<b>7,248</b>	<b>7,395</b>	<b>147</b>	<b>2.0</b>	<b>7,301</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 <a href="http://www.climatechange.govt.nz">www.climatechange.govt.nz</a>							
<b>NOTE 18: Changes in Net Worth</b>							
18,188	18,188	Opening taxpayers funds	3,520	3,520	-	-	3,520
(14,897)	(8,931)	Operating balance excluding minority interest	2,518	(1,979)	4,497	227.2	(3,275)
-	-	Partial share sales in state-owned enterprises	-	-	-	-	175
229	149	Transfers from/(to) other reserves	155	30	125	416.7	66
<b>3,520</b>	<b>9,406</b>	<b>Closing taxpayers funds</b>	<b>6,193</b>	<b>1,571</b>	<b>4,622</b>	<b>294.2</b>	<b>486</b>
62,690	62,690	Opening revaluation reserve	56,001	56,001	-	-	56,001
(6,461)	2	Net revaluations	(50)	(28)	(22)	(78.6)	(16)
(228)	(150)	Transfers from/(to) other reserves	(153)	(31)	(122)	(393.5)	(70)
<b>56,001</b>	<b>62,542</b>	<b>Closing revaluation reserve</b>	<b>55,798</b>	<b>55,942</b>	<b>(144)</b>	<b>(0.3)</b>	<b>55,915</b>
(299)	(299)	Opening other reserves	(173)	(173)	-	-	(173)
126	226	Net movements	82	37	45	121.6	57
<b>(173)</b>	<b>(73)</b>	<b>Closing other reserves</b>	<b>(91)</b>	<b>(136)</b>	<b>45</b>	<b>33.1</b>	<b>(116)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year 9 months to 30 Jun to 31 Mar		Current Year Actual vs Forecast				Annual Forecast
2012	2012	Actual	Forecast	Variance		
\$m	\$m	\$m	\$m	\$m	%	\$m
<b>NOTE 19: Core Crown residual cash</b>						
<b>Core Crown Cash Flows from Operations</b>						
54,249	38,974	41,473	40,813	660	1.6	56,962
670	516	491	518	(27)	(5.2)	653
1,431	1,136	1,180	1,151	29	2.5	1,471
2,699	2,110	1,647	1,587	60	3.8	2,600
(22,854)	(17,319)	(17,280)	(17,451)	171	1.0	(23,077)
(40,036)	(30,329)	(30,882)	(31,165)	283	0.9	(42,767)
(3,369)	(2,020)	(2,184)	(2,219)	35	1.6	(3,778)
-	-	-	-	-	-	(317)
-	-	-	518	(518)	(100.0)	1,150
<b>(7,210)</b>	<b>(6,932)</b>	<b>(5,555)</b>	<b>(6,248)</b>	<b>693</b>	<b>11.1</b>	<b>(7,103)</b>
(1,262)	(962)	(740)	(1,266)	526	41.5	(2,061)
(1,022)	(793)	(261)	(412)	151	36.7	(777)
(1,150)	(756)	(1,076)	(1,202)	126	10.5	(62)
-	-	-	-	-	-	(179)
-	-	-	180	(180)	(100.0)	400
<b>(3,434)</b>	<b>(2,511)</b>	<b>(2,077)</b>	<b>(2,700)</b>	<b>623</b>	<b>23.1</b>	<b>(2,679)</b>
<b>(10,644)</b>	<b>(9,443)</b>	<b>(7,632)</b>	<b>(8,948)</b>	<b>1,316</b>	<b>14.7</b>	<b>(9,782)</b>
<i>The residual cash deficit is funded as follows:</i>						
<b>Debt programme cash flows</b>						
Market:						
15,146	11,090	12,087	13,212	(1,125)	(8.5)	15,799
(7,602)	(7,602)	-	-	-	-	(9,982)
2,139	1,738	(2,811)	(4,701)	1,890	40.2	(4,501)
9,683	5,226	9,276	8,511	765	9.0	1,316
Non market:						
-	-	-	-	-	-	-
(1,501)	(1,501)	-	-	-	-	(499)
430	(50)	-	-	-	-	-
(1,071)	(1,551)	-	-	-	-	(499)
<b>8,612</b>	<b>3,675</b>	<b>9,276</b>	<b>8,511</b>	<b>765</b>	<b>9.0</b>	<b>817</b>
<b>Other borrowing cash flows</b>						
5,880	7,479	2,235	1,402	833	59.4	3,684
(6,030)	(7,160)	(551)	(212)	(339)	(160.1)	(2,318)
<b>(150)</b>	<b>319</b>	<b>1,684</b>	<b>1,190</b>	<b>494</b>	<b>(100.7)</b>	<b>1,366</b>
<b>Investing cashflows</b>						
2,270	7,409	(678)	1,835	(2,513)	(137.0)	10,338
203	262	390	146	244	167.1	160
(291)	(2,222)	(3,040)	(2,734)	(306)	(11.2)	(2,899)
<b>2,182</b>	<b>5,449</b>	<b>(3,328)</b>	<b>(753)</b>	<b>(2,575)</b>	<b>(342.0)</b>	<b>7,599</b>
<b>10,644</b>	<b>9,443</b>	<b>7,632</b>	<b>8,948</b>	<b>(1,316)</b>	<b>(14.7)</b>	<b>9,782</b>

1. Short-term borrowing consists of Treasury Bills and Euro-Commercial Paper (ECP)