

20 February 2013

MEDIA STATEMENT

**Embargoed until 10.00am, Wednesday 20 February 2013**

Fergus Welsh  
Chief Financial Officer  
The Treasury

## **Financial Statements of the Government of New Zealand for the Six Months Ended 31 December 2012**

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

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

**Core Crown tax revenue** at \$27.3 billion was close to forecast, \$31 million (0.1%) lower than expected. Both source deductions and other individuals' tax were above forecast (by \$111 million and \$122 million respectively) while corporate tax was under forecast by \$151 million.

**Core Crown expenses** were \$273 million lower than forecast largely owing to Treaty settlement expenses being \$186m below forecast due to complex negotiation issues not being finalised as planned during December.

The **OBEGAL** deficit was \$158 million lower than expected at \$3.2 billion, primarily reflecting the lower core Crown expenditure.

The **operating balance** was in surplus at \$1.7 billion (\$2.3 billion higher than the forecast deficit of \$541 million) as net investment gains continued to be recorded by the New Zealand Superannuation Fund and ACC. ACC also recorded an actuarial gain on its liability for outstanding insurance claims, which reflected favourable changes in the discount rate and claims experience.

The **residual cash deficit** was \$558 million below forecast at \$9.2 billion as tax receipts were higher than expected (\$417 million or 1.7% above forecast) and capital spending was \$159 million lower than forecast. GST contributed \$220 million of the additional receipts, largely due to the timing of refunds. Source deductions were \$158 million above forecast, which was in line with revenue, consistent with labour earnings growth data released earlier this month.

In addition to the residual cash result, currency in circulation was higher than forecast due increased public demand for currency over the Christmas period and resulted in **net debt** being \$1.2 billion below forecast at \$59.1 billion (28.4% of GDP).

**Gross debt** was \$1.5 billion below forecast at \$81.7 billion, or 39.2% of GDP. While the Government bond issuance was close to forecast, a larger than expected portion of this debt was held by the Reserve Bank reducing the amount of debt held externally.

Further analysis of the December results follows.

\$ million	Year to date				Full Year
	December	December	Variance to HYEFU to HYEFU	Variance to HYEFU to HYEFU	June
	2012	2012			2013
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	27,338	27,369	(31)	(0.1)	57,376
Core Crown revenue	29,893	29,930	(37)	(0.1)	62,939
Core Crown expenses	34,136	34,409	273	0.8	71,998
Core Crown residual cash	(9,236)	(9,794)	558	5.7	(9,782)
Gross debt <sup>3</sup>	81,659	83,143	1,484	1.8	80,176
<i>as a percentage of GDP</i>	39.2%	39.9%			37.1%
Net debt <sup>4</sup>	59,100	60,280	1,180	2.0	59,998
<i>as a percentage of GDP</i>	28.4%	28.9%			27.8%
<b>Total Crown</b>					
Operating balance before gains and losses	(3,191)	(3,349)	158	4.7	(7,340)
Operating balance	1,709	(541)	2,250	415.9	(3,275)
Net worth attributable to the Crown	61,076	58,811	2,265	3.9	56,285

1 Using GDP for the year ended 30 September 2012 of \$208,326 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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For enquiries: Kamlesh Patel  
Office of the Chief Financial Officer and Chief Accountant  
Telephone: +64 4 917 6094  
E-mail: kamlesh.patel@treasury.govt.nz

# Financial Statements of the Government of New Zealand

For the Six Months Ended  
31 December 2012



Prepared by the Treasury  
20 February 2013

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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# CONTENTS

## Commentary

Summary	2
Analysis	4
Year-on-Year Perspective	8

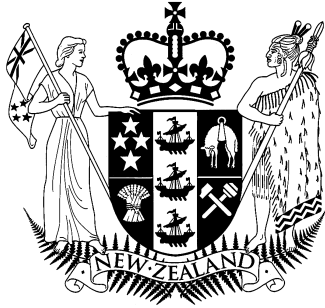
## Financial Statements

Statement of Accounting Policies	12
<i>The statement outlines the summary accounting policies underpinning the preparation of the financial statements of the Government. It refers readers to the Treasury website where the accounting policies are set out in full.</i>	
Statement of Financial Performance	14
<i>The statement outlines the operating results of the total Government (i.e., the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), SOEs (including Air New Zealand), and Crown entities). Expense by functional class is also shown for total Crown and core Crown.</i>	
Statement of Comprehensive Income	15
<i>The statement reports changes in net worth due to the operating balance, items of income or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Analysis of Expenses by Functional Classification	16
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Cash Flows	17
<i>The statement sets out the cash flows that result from the operating, investing and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Changes in Net Worth	19
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Financial Position	20
<i>The statement outlines the balance sheet of the total Government (i.e., the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Borrowings	21
<i>The statement outlines total borrowings (split by sovereign-guaranteed debt and non sovereign-guaranteed debt), including the calculation of the core Crown debt indicators.</i>	
Statement of Commitments	22
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	22
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	23
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	

### Officer for Enquiries

Kamlesh Patel (phone 64-4-917-6094) (E-mail: [kamlesh.patel@treasury.govt.nz](mailto:kamlesh.patel@treasury.govt.nz))  
Chief Financial Officer and Chief Accountant Portfolio  
The Treasury (1 The Terrace), PO Box 3724, Wellington  
NEW ZEALAND  
Facsimile: 64-4-473-1151





## 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 six months ended 31 December 2012 and its financial position as at that date.

The December 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 six months ended 31 December 2012 compared to HYEFU

	Year to date				Full Year
	December 2012	December 2012 HYEFU	Variance to HYEFU	Variance to HYEFU	June 2013 HYEFU
\$ million	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	27,338	27,369	(31)	(0.1)	57,376
Core Crown revenue	29,893	29,930	(37)	(0.1)	62,939
Core Crown expenses	34,136	34,409	273	0.8	71,998
Core Crown residual cash	(9,236)	(9,794)	558	5.7	(9,782)
Gross debt <sup>3</sup>	81,659	83,143	1,484	1.8	80,176
<i>as a percentage of GDP</i>	39.2%	39.9%			37.1%
Net debt <sup>4</sup>	59,100	60,280	1,180	2.0	59,998
<i>as a percentage of GDP</i>	28.4%	28.9%			27.8%
<b>Total Crown</b>					
Operating balance before gains and losses	(3,191)	(3,349)	158	4.7	(7,340)
Operating balance	1,709	(541)	2,250	415.9	(3,275)
Net worth attributable to the Crown	61,076	58,811	2,265	3.9	56,285

1 Using GDP for the year ended 30 September 2012 of \$208,326 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 six months ended 31 December 2012

**Core Crown tax revenue** at \$27.3 billion was close to forecast, \$31 million (0.1%) lower than expected. Both source deductions and other individuals tax were above forecast (by \$111 million and \$122 million respectively) while corporate tax was under forecast by \$151 million.

**Core Crown expenses** were \$273 million lower than forecast largely owing to Treaty settlement expenses being \$186m below forecast due to complex negotiation issues not being finalised as planned during December.

The **OBEGAL** deficit was \$158 million lower than expected at \$3.2 billion, primarily reflecting the lower core Crown expenditure.

The **operating balance** was in surplus at \$1.7 billion (\$2.3 billion higher than the forecast deficit of \$541 million) as net investment gains continued to be recorded by the New Zealand Superannuation Fund and ACC. ACC also recorded an actuarial gain on its liability for outstanding insurance claims, which reflected favourable changes in the discount rate and claims experience.



The **residual cash deficit** was \$558 million below forecast at \$9.2 billion as tax receipts were higher than expected (\$417 million or 1.7% above forecast) and capital spending was \$159 million lower than forecast. GST contributed \$220 million of the additional receipts, largely due to the timing of refunds. Source deductions were \$158 million above forecast, which was in line with revenue, consistent with labour earnings growth data released earlier this month.

In addition to the residual cash result, currency in circulation was higher than forecast due to increased public demand for currency over the Christmas period and resulted in **net debt** being \$1.2 billion below forecast at \$59.1 billion (28.4% of GDP).

**Gross debt** was \$1.5 billion below forecast at \$81.7 billion, or 39.2% of GDP. While the Government bond issuance was close to forecast, a larger than expected portion of this debt was held by the Reserve Bank reducing the amount of debt held externally.

Further analysis of the December results follows.

## ANALYSIS

**Table 2** – Key indicator variances for the six months ended 31 December 2012 compared to *HYEFU*:

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	-\$37 million (lower than forecast)	<p>Core Crown revenue at \$27.3b was close to forecast, \$37m (0.1%) lower than expected mostly in relation to core Crown tax revenue was \$31m lower than forecast. Both source deductions and other individuals tax were above forecast (by \$111 million and \$122 million respectively) while corporate tax was under forecast by \$151 million.</p> <p>Source deductions were \$111 million above forecast, which was in line with the labour earnings growth data released earlier this month and was despite a reported fall in employment (as seen in the Household Labour Force Survey).</p>
Core Crown expenses	\$273 million (lower than forecast)	<p>Core Crown expenses were \$34.1b for the six months to 31 December, which was \$273m (or 0.8%) lower than expected.</p> <p>Treaty settlement expenses being \$186m below forecast due to complex negotiation issues not being finalised as planned during December. There were no other significant variances.</p>
Core Crown residual cash deficit	\$558 million (lower than forecast)	<p>At \$9.2b, the core Crown residual cash deficit was \$558m lower than forecast, mostly reflecting core Crown tax receipts which were \$417m higher than expected. The largest components of this tax variance were:</p> <ul style="list-style-type: none"> <li>• GST contributed \$220m to the additional receipts, largely due to refunds being smaller than forecast.</li> <li>• Source deduction receipts were \$158 million higher than forecast in line with the revenue trend.</li> </ul> <p>Net purchases of physical assets were \$159m below forecast.</p>
Gross debt	\$1,484 million (lower than forecast)	<p>Gross debt was lower than forecast at \$81.7b (1.8% lower than forecast or 39.2% of GDP).</p> <p>While Government bond issuance was close to forecast, a larger than expected portion of this debt was held by the Reserve Bank (\$1.8b), reducing the amount of debt held externally.</p> <p>While the remaining gross debt variance was not significant in total, there were some offsetting movements within the result:</p> <ul style="list-style-type: none"> <li>• The Reserve Bank's liabilities were \$736m lower than forecast, due to collateral received from third parties and securities lending being lower than forecast.</li> <li>• Offsetting the above, DMO's issuance of \$1,076m of USD Euro Commercial Paper (which was not forecast), to provide additional short term funding.</li> </ul> <p>There was minimal impact on net debt from the above transactions as the reductions in financial liabilities were offset by lower holdings of financial assets.</p>

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

<b>Item/indicator</b>	<b>Variance<sup>1</sup></b>	<b>Key drivers</b>
Net debt	\$1,180 million (lower than forecast)	Net debt was also lower than forecast at \$59.1b (2.0% lower than expected or 28.4% of GDP), largely reflecting the residual cash deficit result explained earlier and higher than forecast currency in circulation over the Christmas period.
<b>Total Crown</b>		
Operating balance before gains and losses deficit	\$158 million (lower than forecast)	The OBEGAL deficit was \$3,191m, which was \$158m lower than expected, primarily owing to core Crown expenses being \$273m lower than forecast.
Operating balance	\$2,250 million (higher than forecast)	<p>Including net gains, which were \$2,092m greater than expected, the operating balance was a surplus of \$1,709m compared to the forecast deficit of \$541m.</p> <p>Investment gains continued to be recorded and were \$1,294m above forecast. The NZS Fund and ACC investment portfolio gains were each around \$600 million above forecast for the year-to-date. In addition to the investment gains,</p> <p>ACC recorded an actuarial gain on its liability for outstanding insurance claims that was \$780m above forecast based on the valuation at 31 December 2012, reflecting favourable changes in the discount rate and claims experience.</p>
Net worth attributable to the Crown	\$2,265 million (higher than forecast)	Net worth attributable to the Crown was higher than expected largely reflecting the operating balance result detailed above.

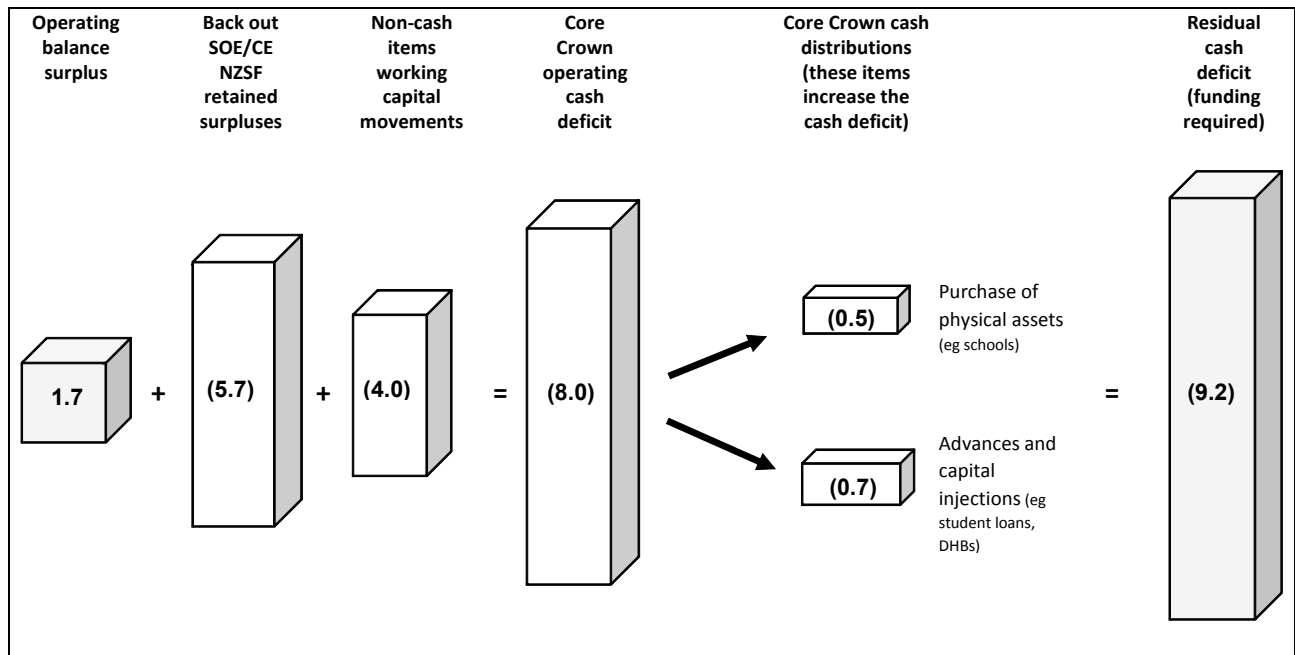
**Table 3 – Fiscal Strategy and financial results**

Fiscal Strategy		Financial Results		Ref	31 Dec 2012 Actual \$m	31 Dec 2012 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	26.2%	26.3%					26.6%
	Core Crown taxation revenue ...		27,338	27,369	(31)	(0.1)		57,376	
	... combined with other core Crown revenue ...		2,555	2,561	(6)	(0.2)		5,563	
<b>Operating expenses</b> To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP	... fund core Crown expenses...		(34,136)	(34,409)	273	0.8		(71,998)	
	... and with SOE and Crown entity results and core Crown gains and losses...		5,952	3,938	2,014	51.1		5,784	
<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	... result in an operating surplus or deficit...		1,709	(541)	2,250	415.9		(3,275)	
	...with income in SOEs, CEs and the NZS Fund retained...		(5,741)	(3,798)	(1,943)	(51.2)		(5,683)	
	... and some items do not impact cash ...		(4,005)	(4,133)	128	3.1		1,855	
	... leaving operating cash flows to ...		<b>(8,037)</b>	<b>(8,472)</b>	<b>435</b>	<b>5.1</b>		<b>(7,103)</b>	
	... meet the capital expenditure budget ...		(543)	(642)	99	15.4		(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)		(656)	(680)	24	3.5		(839)	
	With the residual cash ...		<b>(9,236)</b>	<b>(9,794)</b>	<b>558</b>	<b>5.7</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 ...		(807)	(185)	622	336.4		(455)	
	... results in a closing net debt ...		<b>59,100</b>	<b>60,280</b>	<b>1,180</b>	<b>2.0</b>		<b>59,998</b>	
... and as a % of GDP		<b>28.4%</b>	<b>28.9%</b>				<b>27.8%</b>		

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

	December 2012	December 2011	Change <sup>1</sup>	Change
	Actual \$m	Actual \$m	\$m	%
<b>Statement of Financial Performance</b>				
<b>Core Crown revenue</b>				
Taxation revenue	27,338	26,399	939	3.6
Other revenue	2,555	2,230	325	14.6
<b>Total Core Crown Revenue</b>	<b>29,893</b>	<b>28,629</b>	<b>1,264</b>	<b>4.4</b>
<b>Core Crown expenses</b>				
Social security and welfare	11,337	11,017	320	2.9
GSF pension expenses	138	92	46	50.0
Health	7,190	7,017	173	2.5
Education	5,852	5,809	43	0.7
Core government services	1,975	2,043	(68)	(3.3)
Law and order	1,690	1,693	(3)	(0.2)
Defence	868	872	(4)	(0.5)
Transport and communications	971	1,040	(69)	(6.6)
Economic and industrial services	1,032	1,105	(73)	(6.6)
Primary services	313	308	5	1.6
Heritage, culture and recreation	392	368	24	6.5
Environmental protection	219	420	(201)	(47.9)
Housing and community development	169	192	(23)	(12.0)
Other	156	277	(121)	(43.7)
Finance costs	1,834	1,834	-	-
<b>Total Core Crown Expenses</b>	<b>34,136</b>	<b>34,087</b>	<b>49</b>	<b>0.1</b>
Net surplus of SOE/CE's (and inter-segment eliminations)	1,052	1,373	(321)	(23.4)
<b>OBEGAL</b>	<b>(3,191)</b>	<b>(4,085)</b>	<b>894</b>	<b>21.9</b>
Total gains/(losses)	4,815	(5,505)	10,320	187.5
Other operating items	85	120	(35)	(29.2)
<b>Operating Balance</b>	<b>1,709</b>	<b>(9,470)</b>	<b>11,179</b>	<b>118.0</b>
<b>Core Crown residual cash</b>	<b>(9,236)</b>	<b>(10,574)</b>	<b>1,337</b>	<b>12.6</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>81,659</b>	<b>72,374</b>	<b>9,285</b>	<b>12.8</b>
<b>Net debt<sup>3</sup></b>	<b>59,100</b>	<b>50,134</b>	<b>8,966</b>	<b>17.9</b>

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

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

3 Net core Crown debt excluding NZS Fund, student loans and other advances.

## ANALYSIS

### Revenue and Expenses

**Core Crown taxation revenue** for the six months ended 31 December 2012 increased by \$939 million (3.6%) on the same period last year. Other individuals' tax was the largest contributor to the increase (up 48% on last year) owing to a higher effective tax rate, with source deductions and GST also higher than last year reflecting wage growth and increased consumption. This growth was partially offset by a decrease in corporate tax reflecting a change in timing of tax pooling payments.

Total **core Crown expenses** increased by \$49 million (0.1%) on the same period last year.

Functional expense	Movement from previous year	Main drivers of the change
<b>Increases:</b>		
Social security and welfare	+ \$320 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$173 million	Funding provided in the 2012 Budget to maintain and improve existing service levels.
<b>Decreases:</b>		
Environmental protection	- \$201 million	Costs associated with the Emissions Trading Scheme (ETS) were lower than last year as fewer NZ units have been issued and 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.
Other functional classes	-\$243million	This variance includes the different Treaty settlements in the two financial years.
<b>Total</b>	<b>+ \$49 million</b>	

The **surplus of SOE/CE's** was \$1,052 million, which was \$321m below last year's surplus.

**Total gains** were \$4,815 million in the six months to December 2012 due to strong returns on the Crown's investment portfolio and the actuarial gains for GSF and ACC. In contrast, weak global equity markets in the first six 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 \$5,505 million to 31 December 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 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.

## 2 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.

## 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 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>

## 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 six months ended 31 December 2012

Year 6 months to 30 Jun 2012		to 31 Dec 2011		Current Year Actual vs Forecast				
Actual \$m	Actual \$m	Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
<b>Revenue</b>								
54,665	26,134							
5,130	2,387							
<b>59,795</b>	<b>28,521</b>		<b>29,595</b>	<b>29,657</b>	<b>(62)</b>	<b>(0.2)</b>	<b>62,002</b>	
16,785	8,367		7,953	7,978	(25)	(0.3)	15,735	
2,763	1,384	2	1,461	1,529	(68)	(4.4)	3,211	
4,140	1,614		1,735	1,703	32	1.9	3,659	
<b>23,688</b>	<b>11,365</b>		<b>11,149</b>	<b>11,210</b>	<b>(61)</b>	<b>(0.5)</b>	<b>22,605</b>	
<b>83,483</b>	<b>39,886</b>		<b>40,744</b>	<b>40,867</b>	<b>(123)</b>	<b>(0.3)</b>	<b>84,607</b>	
<b>Expenses</b>								
22,354	11,119							
19,475	9,683							
6,350	2,765							
35,678	16,749							
4,290	1,995							
4,576	1,660							
-	-							
-	-							
<b>92,723</b>	<b>43,971</b>		<b>43,935</b>	<b>44,216</b>	<b>281</b>	<b>0.6</b>	<b>91,927</b>	
-	-		-	-	-	-	(20)	
<b>(9,240)</b>	<b>(4,085)</b>		<b>(3,191)</b>	<b>(3,349)</b>	<b>158</b>	<b>4.7</b>	<b>(7,340)</b>	
692	(1,691)							
(6,526)	(3,814)							
<b>(5,834)</b>	<b>(5,505)</b>		<b>4,815</b>	<b>2,723</b>	<b>2,092</b>	<b>76.8</b>	<b>3,869</b>	
233	121		81	85	(4)	(4.7)	196	
<b>(14,841)</b>	<b>(9,469)</b>		<b>1,705</b>	<b>(541)</b>	<b>2,246</b>	<b>415.2</b>	<b>(3,275)</b>	
-	(1)		4	-	4	-	-	
(56)	-		-	-	-	-	-	
<b>(14,897)</b>	<b>(9,470)</b>		<b>1,709</b>	<b>(541)</b>	<b>2,250</b>	<b>415.9</b>	<b>(3,275)</b>	

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

# STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2012

Year 6 months to 30 Jun 2012 Actual \$m		6 months to 31 Dec 2011 Actual \$m		Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>(14,841)</b>	<b>(9,470)</b>	<b>Operating Balance (including minority interest)</b>		<b>1,709</b>	<b>(541)</b>	<b>2,250</b>	<b>415.9</b>	<b>(3,255)</b>
		<b>Other comprehensive income</b>						
(6,461)	(70)	Revaluation of physical assets		(52)	(31)	(21)	(67.7)	(16)
108	160	Effective portion of changes in value of cash flow hedges		(32)	(7)	(25)	(357.1)	(32)
54	1	Net change in fair value of cash flow hedges transferred to operating balance		85	15	70	466.7	-
(19)	(21)	Net change in fair value of cash flow hedges transferred to the hedged item		(2)	4	(6)	(150.0)	4
(2)	15	Foreign currency translation differences for foreign operations		11	12	(1)	(8.3)	85
13	14	Valuation gains/(losses) on investments available for sale taken to reserves		12	13	(1)	(7.7)	4
1	(1)	Other movements		(3)	(2)	(1)	(50.0)	(8)
<b>(6,306)</b>	<b>98</b>	<b>Total other comprehensive income</b>		<b>19</b>	<b>4</b>	<b>15</b>	<b>375.0</b>	<b>37</b>
<b>(21,147)</b>	<b>(9,372)</b>	<b>Total comprehensive income</b>		<b>1,728</b>	<b>(537)</b>	<b>2,265</b>	<b>421.8</b>	<b>(3,218)</b>
		<b>Attributable to:</b>						
84	-	- minority interest		-	-	-	-	20
(21,231)	(9,372)	- the Crown		1,728	(537)	2,265	421.8	(3,238)
<b>(21,147)</b>	<b>(9,372)</b>	<b>Total comprehensive income</b>		<b>1,728</b>	<b>(537)</b>	<b>2,265</b>	<b>421.8</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 six months ended 31 December 2012

Year to 30 Jun 2012	6 months to 31 Dec 2011		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
25,457	12,651	Social security and welfare	12,994	13,092	98	0.7	26,689
197	95	GSF pension expenses	142	144	2	1.4	287
13,650	6,724	Health	6,896	6,962	66	0.9	14,108
12,407	6,211	Education	6,046	6,060	14	0.2	13,262
5,305	1,938	Core government services	1,997	2,063	66	3.2	5,538
3,592	1,779	Law and order	1,790	1,805	15	0.8	3,864
1,693	851	Defence	852	861	9	1.0	1,815
10,259	4,301	Transport and communications	4,494	4,312	(182)	(4.2)	8,952
10,018	4,244	Economic and industrial services	3,868	3,908	40	1.0	7,479
1,588	785	Primary services	624	625	1	0.2	1,521
2,446	1,106	Heritage, culture and recreation	1,220	1,223	3	0.2	2,477
769	420	Environmental protection	207	227	20	8.8	561
627	594	Housing and community development	537	566	29	5.1	1,168
425	277	Other	156	342	186	54.4	629
4,290	1,995	Finance costs	2,112	2,153	41	1.9	4,410
-	-	Forecast new operating spending	-	-	-	-	317
-	-	Top-down expense adjustment	-	(127)	(127)	(100.0)	(1,150)
<b>92,723</b>	<b>43,971</b>	<b>Total Crown expenses excluding losses</b>	<b>43,935</b>	<b>44,216</b>	<b>281</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 to 30 Jun 2012	6 months to 31 Dec 2011		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
22,028	11,017	Social security and welfare	11,337	11,336	(1)	-	22,878
192	92	GSF pension expenses	138	138	-	-	278
14,160	7,017	Health	7,190	7,226	36	0.5	14,741
11,654	5,809	Education	5,852	5,882	30	0.5	12,400
5,428	2,043	Core government services	1,975	2,051	76	3.7	5,640
3,403	1,693	Law and order	1,690	1,714	24	1.4	3,642
1,736	872	Defence	868	884	16	1.8	1,864
2,232	1,040	Transport and communications	971	986	15	1.5	2,435
2,157	1,105	Economic and industrial services	1,032	1,009	(23)	(2.3)	2,082
648	308	Primary services	313	318	5	1.6	846
863	368	Heritage, culture and recreation	392	415	23	5.5	875
769	420	Environmental protection	219	237	18	7.6	585
(130)	192	Housing and community development	169	192	23	12.0	357
425	277	Other	156	342	186	54.4	629
3,511	1,834	Finance costs	1,834	1,806	(28)	(1.6)	3,579
-	-	Forecast new operating spending	-	-	-	-	317
-	-	Top-down expense adjustment	-	(127)	(127)	(100.0)	(1,150)
<b>69,076</b>	<b>34,087</b>	<b>Core Crown expenses excluding losses</b>	<b>34,136</b>	<b>34,409</b>	<b>273</b>	<b>0.8</b>	<b>71,998</b>

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

# STATEMENT OF CASH FLOWS

for the six months ended 31 December 2012

Year 6 months		Current Year Actual vs Forecast					
to 30 Jun	to 31 Dec					Annual	
2012	2011					Forecast	
Actual	Actual	Actual	Forecast	Variance		Forecast	
\$m	\$m	\$m	\$m	\$m	%	\$m	
<b>Cash Flows From Operations</b>							
<b>Cash was provided from</b>							
53,582	22,481	Taxation receipts	23,799	23,250	549	2.4	55,817
4,890	2,554	Other sovereign receipts	2,667	2,708	(41)	(1.5)	4,694
16,812	8,450	Sales of goods and services	8,285	8,367	(82)	(1.0)	15,806
2,603	1,329	Interest and dividends	1,371	1,387	(16)	(1.2)	2,924
4,395	2,039	Other operating receipts	3,030	3,421	(391)	(11.4)	6,785
<b>82,282</b>	<b>36,853</b>	<b>Total cash provided from operations</b>	<b>39,152</b>	<b>39,133</b>	<b>19</b>	<b>-</b>	<b>86,026</b>
<b>Cash was disbursed to</b>							
22,840	12,215	Social assistance and official development assistance	12,060	12,135	75	0.6	23,077
59,107	30,597	Personnel and operating payments	29,930	30,619	689	2.3	61,567
3,954	1,969	Interest payments	2,086	2,161	75	3.5	4,622
-	-	Forecast new operating spending	-	(46)	(46)	(100.0)	317
-	-	Top-down expense adjustment	-	(127)	(127)	(100.0)	(1,150)
<b>85,901</b>	<b>44,781</b>	<b>Total cash disbursed to operations</b>	<b>44,076</b>	<b>44,742</b>	<b>666</b>	<b>1.5</b>	<b>88,433</b>
<b>(3,619)</b>	<b>(7,928)</b>	<b>Net cash flows from operations</b>	<b>(4,924)</b>	<b>(5,609)</b>	<b>685</b>	<b>12.2</b>	<b>(2,407)</b>
<b>Cash Flows From Investing Activities</b>							
<b>Cash was provided from/(disbursed to)</b>							
(5,766)	(2,783)	Net purchase of physical assets	(2,660)	(3,306)	646	19.5	(6,837)
424	7,622	Net sale/(purchase) of shares and other securities	3,490	4,621	(1,131)	(24.5)	8,964
(567)	(244)	Net purchase of intangible assets	(231)	(213)	(18)	(8.5)	(553)
(1,284)	(536)	Net (issue)/repayment of advances	(543)	(666)	123	18.5	(1,539)
(115)	19	Net disposal/(acquisition) of investments in associates	73	24	49	204.2	1,513
-	-	Forecast new capital spending	-	-	-	-	(179)
-	-	Top-down capital adjustment	-	60	(60)	(100.0)	400
<b>(7,308)</b>	<b>4,078</b>	<b>Net cash flows from investing activities</b>	<b>129</b>	<b>520</b>	<b>(391)</b>	<b>(75.2)</b>	<b>1,769</b>
<b>(10,927)</b>	<b>(3,850)</b>	<b>Net cash flows from operating and investing activities</b>	<b>(4,795)</b>	<b>(5,089)</b>	<b>294</b>	<b>5.8</b>	<b>(638)</b>
<b>Cash Flows From Financing Activities</b>							
<b>Cash was provided from/(disbursed to)</b>							
203	721	Issues of circulating currency	678	89	589	-	160
7,554	1,235	Net issue/(repayment) of Government bonds	9,851	9,939	(88)	(0.9)	5,711
(6,422)	(6,206)	Net issue/(repayment) of foreign currency borrowing	115	(130)	245	188.5	(2,292)
10,353	9,870	Net issue/(repayment) of other New Zealand dollar borrowing	(1,996)	(2,199)	203	9.2	481
(7)	-	Dividends paid to minority interests	-	-	-	-	-
<b>11,681</b>	<b>5,620</b>	<b>Net cash flows from financing activities</b>	<b>8,648</b>	<b>7,699</b>	<b>949</b>	<b>12.3</b>	<b>4,060</b>
<b>754</b>	<b>1,770</b>	<b>Net movement in cash</b>	<b>3,853</b>	<b>2,610</b>	<b>1,243</b>	<b>47.6</b>	<b>3,422</b>
9,801	9,801	<b>Opening Cash Balance</b>	10,686	10,686	-	-	10,686
131	252	Foreign-exchange gains/(losses) on opening cash	(101)	(156)	55	35.3	(156)
<b>10,686</b>	<b>11,823</b>	<b>Closing Cash Balance</b>	<b>14,438</b>	<b>13,140</b>	<b>1,298</b>	<b>9.9</b>	<b>13,952</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2012

Year 6 months		Current Year Actual vs Forecast					
to 30 Jun	to 31 Dec	Actual	Forecast	Variance	Annual	Forecast	
2012	2011	\$m	\$m	\$m	%	\$m	
Actual	Actual						
\$m	\$m	\$m	\$m	\$m	%	\$m	
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
<b>(3,619)</b>	<b>(7,928)</b>	<b>Net Cash Flows from Operations</b>	<b>(4,924)</b>	<b>(5,609)</b>	<b>685</b>	<b>12.2</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	(1,691)	Gains/(losses) on financial instruments	3,607	2,313	1,294	55.9	3,301
(6,526)	(3,814)	Gains/(losses) on non-financial instruments	1,208	410	798	194.6	568
<b>(5,834)</b>	<b>(5,505)</b>	<b>Total gains/(losses)</b>	<b>4,815</b>	<b>2,723</b>	<b>2,092</b>	<b>76.8</b>	<b>3,869</b>
<b>Other Non-cash Items in Operating Balance</b>							
(6,350)	(2,765)	Depreciation and amortisation	(2,204)	(2,213)	9	0.4	(4,531)
(850)	(286)	Write-down on initial recognition of financial assets	(229)	(250)	21	8.4	(788)
248	41	Impairment of financial assets (excluding receivables)	5	7	(2)	(28.6)	33
512	230	Non-cash movement in defined benefit retirement plan liabilities	197	207	(10)	(4.8)	390
1,070	2,511	Non-cash movement in insurance liabilities	1,697	2,372	(675)	(28.5)	2,684
232	121	Other	83	84	(1)	(1.2)	197
<b>(5,138)</b>	<b>(148)</b>	<b>Total other non-cash Items</b>	<b>(451)</b>	<b>207</b>	<b>(658)</b>	<b>(317.9)</b>	<b>(2,015)</b>
<b>Movements in Working Capital</b>							
(242)	1,674	Increase/(decrease) in receivables	(487)	(305)	(182)	(59.7)	(3,459)
(175)	28	Increase/(decrease) in accrued interest	64	150	(86)	(57.3)	498
(74)	9	Increase/(decrease) in inventories	8	(52)	60	115.4	(95)
32	356	Increase/(decrease) in prepayments	329	235	94	40.0	(13)
(38)	(146)	Decrease/(increase) in deferred revenue	(75)	(10)	(65)	-	163
191	2,190	Decrease/(increase) in payables/provisions	2,430	2,120	310	14.6	184
<b>(306)</b>	<b>4,111</b>	<b>Total movements in working capital</b>	<b>2,269</b>	<b>2,138</b>	<b>131</b>	<b>6.1</b>	<b>(2,722)</b>
<b>(14,897)</b>	<b>(9,470)</b>	<b>Operating Balance</b>	<b>1,709</b>	<b>(541)</b>	<b>2,250</b>	<b>415.9</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 six months ended 31 December 2012

Year to 30 Jun 2012 Actual \$m	6 months to 31 Dec 2011 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)	(9,470)	Operating balance (including minority interest)	1,709	(541)	2,250	415.9	(3,275)
(6,461)	(70)	Net revaluations	(52)	(31)	(21)	(67.7)	(16)
80	173	Transfers to/(from) reserves	(21)	6	(27)	(450.0)	(39)
		(Gains)/losses transferred to the					
83	1	statement of financial performance	(14)	15	(29)	(193.3)	(1)
(8)	(5)	Other movements	106	14	92	-	93
<b>(21,147)</b>	<b>(9,371)</b>	<b>Total comprehensive income</b>	<b>1,728</b>	<b>(537)</b>	<b>2,265</b>	<b>421.8</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>71,516</b>	<b>Closing net worth</b>	<b>61,508</b>	<b>59,243</b>	<b>2,265</b>	<b>3.8</b>	<b>58,062</b>
		<b>Attributable to:</b>					
432	308	- minority interest	432	432	-	-	1,777
59,348	71,208	- the Crown	61,076	58,811	2,265	3.9	56,285
<b>59,780</b>	<b>71,516</b>	<b>Closing net worth</b>	<b>61,508</b>	<b>59,243</b>	<b>2,265</b>	<b>3.9</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 December 2012

As at 30 Jun 2012 Actual \$m	As at 31 Dec 2011 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Assets</b>						
10,686	11,823	Cash and cash equivalents	11	14,438	13,140	1,298	9.9	13,952
20,956	22,487	Receivables	11	20,067	20,804	(737)	(3.5)	17,627
		Marketable securities, deposits and derivatives in gain	11	41,722	42,671	(949)	(2.2)	39,399
14,385	13,818	Share investments	11	15,747	15,537	210	1.4	16,302
21,766	20,972	Advances	11	22,232	22,605	(373)	(1.7)	23,398
1,234	1,317	Inventory		1,242	1,182	60	5.1	1,139
2,134	2,225	Other assets		2,575	2,349	226	9.6	1,972
108,584	115,851	Property, plant & equipment	12	108,709	109,953	(1,244)	(1.1)	111,719
9,483	9,714	Equity accounted investments <sup>1</sup>		9,589	9,618	(29)	(0.3)	9,825
2,705	2,302	Intangible assets and goodwill		2,572	2,568	4	0.2	2,708
-	-	Forecast for new capital spending		-	-	-	-	179
-	-	Top-down capital adjustment		-	(60)	60	100.0	(400)
<b>240,318</b>	<b>240,704</b>	<b>Total assets</b>		<b>238,893</b>	<b>240,367</b>	<b>(1,474)</b>	<b>(0.6)</b>	<b>237,820</b>
		<b>Liabilities</b>						
4,457	4,976	Issued currency		5,135	4,546	(589)	(13.0)	4,617
11,604	10,348	Payables	14	10,277	11,144	867	7.8	12,423
1,712	1,820	Deferred revenue		1,786	1,722	(64)	(3.7)	1,548
100,534	94,424	Borrowings		101,870	105,210	3,340	3.2	102,749
41,186	38,852	Insurance liabilities	15	38,608	38,714	106	0.3	38,160
13,539	11,865	Retirement plan liabilities		13,152	13,142	(10)	(0.1)	12,960
7,506	6,903	Provisions	16	6,557	6,646	89	1.3	7,301
<b>180,538</b>	<b>169,188</b>	<b>Total liabilities</b>		<b>177,385</b>	<b>181,124</b>	<b>3,739</b>	<b>2.1</b>	<b>179,758</b>
<b>59,780</b>	<b>71,516</b>	<b>Total assets less total liabilities</b>		<b>61,508</b>	<b>59,243</b>	<b>2,265</b>	<b>3.8</b>	<b>58,062</b>
		<b>Net Worth</b>						
3,520	8,822	Taxpayer funds	17	5,281	3,009	2,272	75.5	486
56,001	62,516	Revaluation reserve	17	55,895	55,939	(44)	(0.1)	55,915
(173)	(130)	Other reserves	17	(100)	(137)	37	27.0	(116)
<b>59,348</b>	<b>71,208</b>	<b>Total net worth attributable to the Crown</b>		<b>61,076</b>	<b>58,811</b>	<b>2,265</b>	<b>3.9</b>	<b>56,285</b>
432	308	Net worth attributable to minority interest		432	432	-	-	1,777
<b>59,780</b>	<b>71,516</b>	<b>Total net worth</b>		<b>61,508</b>	<b>59,243</b>	<b>2,265</b>	<b>3.8</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 December 2012

As at 30 Jun 2012 Actual \$m	As at 31 Dec 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
53,849	47,386	Government bonds <sup>1</sup>	59,266	61,959	2,693	4.3	57,159
8,954	9,013	Treasury bills	5,436	5,431	(5)	(0.1)	4,599
229	255	Government retail stock	207	221	14	6.3	221
5,917	6,938	Settlement deposits with Reserve Bank	6,479	6,855	376	5.5	6,855
2,807	2,952	Derivatives in loss	2,611	2,444	(167)	(6.8)	2,337
1,515	1,178	Finance lease liabilities	1,437	1,466	29	2.0	1,586
27,263	26,702	Other borrowings	26,434	26,834	400	1.5	29,992
<b>100,534</b>	<b>94,424</b>	<b>Total borrowings</b>	<b>101,870</b>	<b>105,210</b>	<b>3,340</b>	<b>3.2</b>	<b>102,749</b>
75,701	70,363	Sovereign-guaranteed debt	76,846	79,643	2,797	3.5	76,400
24,833	24,061	Non sovereign-guaranteed debt	25,024	25,567	543	2.1	26,349
<b>100,534</b>	<b>94,424</b>	<b>Total borrowings</b>	<b>101,870</b>	<b>105,210</b>	<b>3,340</b>	<b>3.2</b>	<b>102,749</b>
		<b>Net Debt:</b>					
84,680	78,470	Core Crown borrowings <sup>2</sup>	87,345	89,258	1,913	2.1	86,282
(512)	(562)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(600)	(677)	(77)	(11.4)	(671)
<b>84,168</b>	<b>77,908</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>86,745</b>	<b>88,581</b>	<b>1,836</b>	<b>2.1</b>	<b>85,611</b>
64,017	56,506	Less core Crown financial assets <sup>4</sup>	60,379	60,409	(30)	-	59,177
<b>20,151</b>	<b>21,402</b>	<b>Net core Crown debt</b>	<b>26,366</b>	<b>28,172</b>	<b>1,806</b>	<b>6.4</b>	<b>26,434</b>
13,324	12,386	Core crown advances	13,196	13,130	(66)	(0.5)	13,898
<b>33,475</b>	<b>33,788</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>39,562</b>	<b>41,302</b>	<b>1,740</b>	<b>4.2</b>	<b>40,332</b>
17,196	16,346	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	19,538	18,978	(560)	(3.0)	19,666
<b>50,671</b>	<b>50,134</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>59,100</b>	<b>60,280</b>	<b>1,180</b>	<b>2.0</b>	<b>59,998</b>
		<b>Gross Debt:</b>					
84,168	77,908	Gross sovereign-issued debt <sup>3</sup>	86,745	88,581	1,836	2.1	85,611
(6,133)	(7,134)	Less Reserve Bank settlement cash and Reserve Bank bills	(6,686)	(7,038)	(352)	(5.0)	(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>72,374</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills</b>	<b>81,659</b>	<b>83,143</b>	<b>1,484</b>	<b>1.8</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 December 2012

	As at 31 Dec 2012 \$m	As at 30 Jun 2012 \$m	As at 31 Dec 2011 \$m
<b>Capital Commitments</b>			
Specialist military equipment	147	239	330
Land and buildings	787	697	617
Other property, plant and equipment	6,080	6,001	7,049
Other capital commitments	751	572	420
Tertiary Education Institutions	255	255	413
<b>Total capital commitments</b>	<b>8,020</b>	<b>7,764</b>	<b>8,829</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	2,620	2,719	2,791
Other non-cancellable leases	3,511	3,549	2,991
Tertiary Education Institutions	282	282	366
<b>Total operating commitments</b>	<b>6,413</b>	<b>6,550</b>	<b>6,148</b>
<b>Total commitments</b>	<b>14,433</b>	<b>14,314</b>	<b>14,977</b>
<b>Total Commitments by Segment</b>			
Core Crown	9,191	15,685	11,690
Crown entities	6,301	7,753	8,414
State-owned Enterprises	5,327	5,300	6,637
Inter-segment eliminations	(6,386)	(14,424)	(11,764)
<b>Total commitments</b>	<b>14,433</b>	<b>14,314</b>	<b>14,977</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 December 2012

	As at 31 Dec 2012 \$m	As at 30 Jun 2012 \$m	As at 31 Dec 2011 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	188	430	81
Uncalled capital	6,113	6,327	5,431
Legal proceedings and disputes	397	411	339
Other contingent liabilities	279	584	2,756
<b>Total quantifiable contingent liabilities</b>	<b>6,977</b>	<b>7,752</b>	<b>8,607</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	6,785	7,622	8,374
Crown entities	81	40	174
State-owned Enterprises	111	90	59
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>6,977</b>	<b>7,752</b>	<b>8,607</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	161	224	662
Crown entities	154	162	20
State owned enterprises	-	24	-
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>315</b>	<b>410</b>	<b>682</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 6 months to 30 Jun 2012 Actual \$m		to 31 Dec 2011 Actual \$m		Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 1: Sovereign Revenue (Accrual)</b>								
<b>Taxation Revenue (accrual)</b>								
<b>Individuals</b>								
21,237	10,457	Source deductions		11,001	10,891	110	1.0	22,038
4,232	1,842	Other persons		2,299	2,186	113	5.2	4,641
(1,736)	(867)	Refunds		(745)	(759)	14	1.8	(1,564)
462	224	Fringe benefit tax		220	225	(5)	(2.2)	439
<b>24,195</b>	<b>11,656</b>	<b>Total individuals</b>		<b>12,775</b>	<b>12,543</b>	<b>232</b>	<b>1.8</b>	<b>25,554</b>
<b>Corporate Tax</b>								
8,310	3,528	Gross companies tax		3,132	3,373	(241)	(7.1)	8,487
(202)	(86)	Refunds		(67)	(81)	14	17.3	(214)
500	246	Non-resident withholding tax		190	163	27	16.6	396
4	5	Foreign-source dividend w/holding payments		1	-	1	-	-
<b>8,612</b>	<b>3,693</b>	<b>Total corporate tax</b>		<b>3,256</b>	<b>3,455</b>	<b>(199)</b>	<b>(5.8)</b>	<b>8,669</b>
<b>Other Income Tax</b>								
1,679	782	Resident w/holding tax on interest income		775	719	56	7.8	1,515
292	134	Resident w/holding tax on dividend income		185	168	17	10.1	382
<b>1,971</b>	<b>916</b>	<b>Total other income tax</b>		<b>960</b>	<b>887</b>	<b>73</b>	<b>8.2</b>	<b>1,897</b>
<b>34,778</b>	<b>16,265</b>	<b>Total income tax</b>		<b>16,991</b>	<b>16,885</b>	<b>106</b>	<b>0.6</b>	<b>36,120</b>
<b>Goods and Services Tax</b>								
25,199	12,304	Gross goods and services tax		12,154	12,432	(278)	(2.2)	25,814
(10,627)	(5,441)	Refunds		(5,086)	(5,267)	181	3.4	(10,512)
<b>14,572</b>	<b>6,863</b>	<b>Total goods and services tax</b>		<b>7,068</b>	<b>7,165</b>	<b>(97)</b>	<b>(1.4)</b>	<b>15,302</b>
<b>Other Taxation</b>								
1,045	521	Road user charges		534	563	(29)	(5.2)	1,114
847	448	Petroleum fuels excise - domestic production		436	420	16	3.8	905
656	342	Alcohol excise - domestic production		340	339	1	0.3	672
244	206	Tobacco excise - domestic production		232	223	9	4.0	248
631	329	Petroleum fuels excise - imports <sup>1</sup>		302	381	(79)	(20.7)	656
241	132	Alcohol excise - imports <sup>1</sup>		130	129	1	0.8	230
993	692	Tobacco excise - imports <sup>1</sup>		680	691	(11)	(1.6)	932
173	96	Other customs duty		97	93	4	4.3	205
216	108	Gaming duties		107	111	(4)	(3.6)	225
175	87	Motor vehicle fees		89	81	8	9.9	179
58	28	Approved issuer levy and cheque duty		19	26	(7)	(26.9)	50
36	17	Energy resources levies		13	16	(3)	(18.8)	36
<b>5,315</b>	<b>3,006</b>	<b>Total other indirect taxation</b>		<b>2,979</b>	<b>3,073</b>	<b>(94)</b>	<b>(3.1)</b>	<b>5,452</b>
<b>19,887</b>	<b>9,869</b>	<b>Total indirect taxation</b>		<b>10,047</b>	<b>10,238</b>	<b>(191)</b>	<b>(1.9)</b>	<b>20,754</b>
<b>54,665</b>	<b>26,134</b>	<b>Total taxation revenue</b>		<b>27,038</b>	<b>27,123</b>	<b>(85)</b>	<b>(0.3)</b>	<b>56,874</b>
<b>Other Sovereign Revenue (accrual)</b>								
3,695	1,872	ACC levies		1,701	1,724	(23)	(1.3)	3,427
326	178	Fire Service levies		179	178	1	0.6	325
107	46	EQC levies		108	107	1	0.9	242
1,002	291	Other miscellaneous items		569	525	44	8.4	1,134
<b>5,130</b>	<b>2,387</b>	<b>Total other sovereign revenue</b>		<b>2,557</b>	<b>2,534</b>	<b>23</b>	<b>0.9</b>	<b>5,128</b>
<b>59,795</b>	<b>28,521</b>	<b>Total sovereign revenue</b>		<b>29,595</b>	<b>29,657</b>	<b>(62)</b>	<b>(0.2)</b>	<b>62,002</b>

1. Customs excise-equivalent duty

## NOTES TO THE FINANCIAL STATEMENTS

Year 6 months to 30 Jun 2012		to 31 Dec 2011		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 1 (continued): Sovereign Receipts (Cash)</b>								
<b>Income Tax Receipts (cash)</b>								
<b>Individuals</b>								
21,010	10,400	Source deductions		10,965	10,810	155	1.4	21,924
4,720	1,521	Other persons		1,692	1,677	15	0.9	4,944
(2,468)	(1,440)	Refunds		(1,277)	(1,272)	(5)	(0.4)	(2,212)
458	212	Fringe benefit tax		215	215	-	-	438
<b>23,720</b>	<b>10,693</b>	<b>Total individuals</b>		<b>11,595</b>	<b>11,430</b>	<b>165</b>	<b>1.4</b>	<b>25,094</b>
<b>Corporate Tax</b>								
8,792	3,122	Gross companies tax		3,143	3,157	(14)	(0.4)	8,660
(814)	(284)	Refunds		(313)	(299)	(14)	(4.7)	(665)
434	224	Non-resident withholding tax		247	163	84	51.5	395
4	-	Foreign-source dividend w/holding payments		-	-	-	-	-
<b>8,416</b>	<b>3,062</b>	<b>Total corporate tax</b>		<b>3,077</b>	<b>3,021</b>	<b>56</b>	<b>1.9</b>	<b>8,390</b>
<b>Other Income Tax</b>								
1,699	820	Resident w/holding tax on interest income		787	742	45	6.1	1,514
290	132	Resident w/holding tax on dividend income		191	175	16	9.1	382
<b>1,989</b>	<b>952</b>	<b>Total other income tax</b>		<b>978</b>	<b>917</b>	<b>61</b>	<b>6.7</b>	<b>1,896</b>
<b>34,125</b>	<b>14,707</b>	<b>Total income tax</b>		<b>15,650</b>	<b>15,368</b>	<b>282</b>	<b>1.8</b>	<b>35,380</b>
<b>Goods and Services Tax</b>								
24,574	10,344	Gross goods and services tax		10,390	10,326	64	0.6	24,997
(10,435)	(5,212)	Refunds		(4,942)	(5,150)	208	4.0	(10,012)
<b>14,139</b>	<b>5,132</b>	<b>Total goods and services tax</b>		<b>5,448</b>	<b>5,176</b>	<b>272</b>	<b>5.3</b>	<b>14,985</b>
<b>Other Taxation</b>								
1,048	523	Road user charges		533	563	(30)	(5.3)	1,114
845	438	Petroleum fuels excise - domestic production		433	435	(2)	(0.5)	905
654	325	Alcohol excise - domestic production		331	334	(3)	(0.9)	672
238	115	Tobacco excise - domestic production		138	127	11	8.7	248
2,057	1,002	Customs duty		1,033	1,012	21	2.1	2,023
216	108	Gaming duties		108	113	(5)	(4.4)	225
169	86	Motor vehicle fees		93	81	12	14.8	179
55	28	Approved issuer levy and cheque duty		19	25	(6)	(24.0)	50
36	17	Energy resources levies		13	16	(3)	(18.8)	36
<b>5,318</b>	<b>2,642</b>	<b>Total other indirect taxation</b>		<b>2,701</b>	<b>2,706</b>	<b>(5)</b>	<b>(0.2)</b>	<b>5,452</b>
<b>19,457</b>	<b>7,774</b>	<b>Total indirect taxation</b>		<b>8,149</b>	<b>7,882</b>	<b>267</b>	<b>3.4</b>	<b>20,437</b>
<b>53,582</b>	<b>22,481</b>	<b>Total tax receipts collected</b>		<b>23,799</b>	<b>23,250</b>	<b>549</b>	<b>2.4</b>	<b>55,817</b>
<b>Other Sovereign Receipts (cash)</b>								
3,693	2,001	ACC levies		1,965	2,026	(61)	(3.0)	3,424
326	178	Fire Service levies		179	178	1	0.6	325
134	49	EQC levies		145	144	1	0.7	277
737	326	Other miscellaneous items		378	360	18	5.0	668
<b>4,890</b>	<b>2,554</b>	<b>Total other sovereign receipts</b>		<b>2,667</b>	<b>2,708</b>	<b>(41)</b>	<b>(1.5)</b>	<b>4,694</b>
<b>58,472</b>	<b>25,035</b>	<b>Total sovereign receipts</b>		<b>26,466</b>	<b>25,958</b>	<b>508</b>	<b>2.0</b>	<b>60,511</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year 6 months to 30 Jun to 31 Dec 2012 2011 Actual Actual \$m \$m		Current Year Actual vs Forecast				
		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 2: Interest Revenue and Dividends</b>						
<i>By type</i>						
2,293	1,144	1,190	1,243	(53)	(4.3)	2,676
470	240	271	286	(15)	(5.2)	535
<b>2,763</b>	<b>1,384</b>	<b>1,461</b>	<b>1,529</b>	<b>(68)</b>	<b>(4.4)</b>	<b>3,211</b>
<i>By source</i>						
1,795	896	1,033	1,100	(67)	(6.1)	2,261
1,181	630	627	555	72	13.0	1,114
858	428	429	424	5	1.2	864
(1,071)	(570)	(628)	(550)	(78)	(14.2)	(1,028)
<b>2,763</b>	<b>1,384</b>	<b>1,461</b>	<b>1,529</b>	<b>(68)</b>	<b>(4.4)</b>	<b>3,211</b>
<b>NOTE 3: Transfer Payments and Subsidies</b>						
9,584	4,728	5,069	5,068	(1)	-	10,228
2,082	1,085	1,044	1,065	21	2.0	2,062
1,811	911	888	887	(1)	(0.1)	1,751
1,325	667	668	667	(1)	(0.1)	1,323
1,195	600	594	597	3	0.5	1,197
883	443	407	413	6	1.5	836
775	388	393	394	1	0.3	784
567	266	258	258	-	-	541
644	344	336	340	4	1.2	623
580	288	311	309	(2)	(0.6)	614
401	203	195	189	(6)	(3.2)	363
1,309	704	739	739	-	-	1,442
<b>21,156</b>	<b>10,627</b>	<b>10,902</b>	<b>10,926</b>	<b>24</b>	<b>0.2</b>	<b>21,764</b>
<b>Subsidies</b>						
688	330	349	349	-	-	710
<b>Other transfer payments</b>						
510	162	142	148	6	4.1	533
<b>22,354</b>	<b>11,119</b>	<b>11,393</b>	<b>11,423</b>	<b>30</b>	<b>0.3</b>	<b>23,007</b>
<b>NOTE 4: Personnel Expenses</b>						
5,915	2,924	2,978	2,970	(8)	(0.3)	6,067
10,754	5,326	5,520	5,541	21	0.4	11,100
2,819	1,438	1,501	1,434	(67)	(4.7)	2,827
(13)	(5)	(6)	(5)	1	20.0	(11)
<b>19,475</b>	<b>9,683</b>	<b>9,993</b>	<b>9,940</b>	<b>(53)</b>	<b>(0.5)</b>	<b>19,983</b>
<b>NOTE 5: Operating Expenses</b>						
<i>By type</i>						
6,350	2,765	2,204	2,213	9	0.4	4,531
35,678	16,749	16,604	16,963	359	2.1	37,455
-	-	-	-	-	-	317
-	-	-	(127)	(127)	(100.0)	(1,150)
<b>42,028</b>	<b>19,514</b>	<b>18,808</b>	<b>19,049</b>	<b>241</b>	<b>1.3</b>	<b>41,153</b>
<i>By source</i>						
37,278	18,201	17,929	18,236	307	1.7	39,338
17,897	8,839	8,782	8,761	(21)	(0.2)	18,792
13,174	5,529	5,262	5,297	35	0.7	10,272
(26,321)	(13,055)	(13,165)	(13,245)	(80)	(0.6)	(27,249)
<b>42,028</b>	<b>19,514</b>	<b>18,808</b>	<b>19,049</b>	<b>241</b>	<b>1.3</b>	<b>41,153</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year 6 months to 30 Jun 2012 Actual \$m		6 months to 31 Dec 2011 Actual \$m		Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		<b>NOTE 6: Interest Expenses</b>						
		<b>By type</b>						
4,223	1,977	Interest on financial liabilities		2,089	2,127	38	1.8	4,361
67	18	Interest unwind on provisions		23	26	3	11.5	49
<b>4,290</b>	<b>1,995</b>	<b>Total interest expenses</b>		<b>2,112</b>	<b>2,153</b>	<b>41</b>	<b>1.9</b>	<b>4,410</b>
		<b>By source</b>						
3,511	1,834	Core Crown		1,834	1,806	(28)	(1.6)	3,579
246	126	Crown entities		123	123	-	-	245
1,268	556	State-owned Enterprises		567	557	(10)	(1.8)	1,181
(735)	(521)	Inter-segment eliminations		(412)	(333)	79	23.7	(595)
<b>4,290</b>	<b>1,995</b>	<b>Total interest expenses</b>		<b>2,112</b>	<b>2,153</b>	<b>41</b>	<b>1.9</b>	<b>4,410</b>
		<b>NOTE 7: Insurance Expenses</b>						
		<b>By entity</b>						
3,010	1,429	ACC		1,502	1,581	79	5.0	3,388
1,073	96	EQC		135	137	2	1.5	101
586	-	Southern Response (formerly AMI Insurance)		(2)	(49)	(47)	(95.9)	(108)
20	135	Other insurance expenses		8	6	(2)	(33.3)	17
(113)	-	Inter-segment eliminations		(14)	(24)	(10)	(41.7)	(24)
<b>4,576</b>	<b>1,660</b>	<b>Total insurance expenses</b>		<b>1,629</b>	<b>1,651</b>	<b>22</b>	<b>1.3</b>	<b>3,374</b>
		<b>NOTE 8: Gains and Losses on Financial Instruments</b>						
		<b>By source</b>						
526	(924)	Core Crown		2,402	1,785	617	34.6	2,573
930	232	Crown entities		1,069	623	446	71.6	789
9	(354)	State-owned Enterprises		15	(27)	42	155.6	92
(773)	(645)	Inter-segment eliminations		121	(68)	189	277.9	(153)
<b>692</b>	<b>(1,691)</b>	<b>Net gains/(losses) on financial instruments</b>		<b>3,607</b>	<b>2,313</b>	<b>1,294</b>	<b>55.9</b>	<b>3,301</b>
		<b>NOTE 9: Gains and Losses on Non-Financial Instruments</b>						
		<b>By type</b>						
(3,896)	(1,939)	Actuarial gains/(losses) on GSF liability		190	190	-	-	190
(2,942)	(2,050)	Actuarial gains/(losses) on ACC liability		881	101	780	-	343
312	175	Other		137	119	18	15.1	35
<b>(6,526)</b>	<b>(3,814)</b>	<b>Net gains/(losses) on non-financial instruments</b>		<b>1,208</b>	<b>410</b>	<b>798</b>	<b>194.6</b>	<b>568</b>
		<b>By source</b>						
(3,790)	(1,858)	Core Crown		355	330	25	7.6	255
(2,955)	(2,051)	Crown entities		862	84	778	-	314
220	95	State-owned Enterprises		(10)	(4)	(6)	(150.0)	-
(1)	-	Inter-segment eliminations		1	-	1	-	(1)
<b>(6,526)</b>	<b>(3,814)</b>	<b>Net gains/(losses) on non-financial instruments</b>		<b>1,208</b>	<b>410</b>	<b>798</b>	<b>194.6</b>	<b>568</b>



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 31 Dec 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: Operating Balance</b>							
<i>By source</i>							
(11,671)	(8,214)	Core Crown	(1,468)	(2,361)	893	37.8	(6,159)
(641)	(566)	Crown entities	3,007	1,715	1,292	75.3	2,520
(1,423)	125	State-owned Enterprises	343	452	(109)	(24.1)	1,025
(1,162)	(815)	Inter-segment eliminations	(173)	(347)	174	50.1	(661)
<b>(14,897)</b>	<b>(9,470)</b>	<b>Total operating balance</b>	<b>1,709</b>	<b>(541)</b>	<b>2,250</b>	<b>415.9</b>	<b>(3,275)</b>
<b>NOTE 11: Financial Assets and Sovereign Receivables</b>							
10,686	11,823	Cash and cash equivalents	14,438	13,140	1,298	9.9	13,952
7,257	10,158	Tax receivables	9,686	10,437	(751)	(7.2)	7,328
13,699	12,329	Trade and other receivables	10,381	10,367	14	0.1	10,299
8,291	7,569	Student loans	8,393	8,411	(18)	(0.2)	8,813
12,445	12,068	Kiwibank mortgages	12,842	12,902	(60)	(0.5)	13,433
2,422	2,261	Long-term deposits	2,248	1,929	319	16.5	1,388
2,249	2,302	IMF financial assets	2,206	2,190	16	0.7	2,381
1,030	1,335	Other advances	997	1,292	(295)	(22.8)	1,152
14,385	13,818	Share investments	15,747	15,537	210	1.4	16,302
5,032	4,887	Derivatives in gain	5,319	4,704	615	13.1	3,899
38,682	30,745	Other marketable securities	31,949	33,848	(1,899)	(5.6)	31,731
<b>116,178</b>	<b>109,295</b>	<b>Total financial assets and sovereign receivables</b>	<b>114,206</b>	<b>114,757</b>	<b>(551)</b>	<b>(0.5)</b>	<b>110,678</b>
<b>Financial assets by entity</b>							
26,062	19,513	NZDMO	23,605	22,360	1,245	5.6	16,482
17,573	18,505	Reserve Bank of New Zealand	18,229	18,034	195	1.1	17,964
18,703	17,661	NZ Superannuation Fund	20,811	20,823	(12)	(0.1)	21,491
20,567	21,753	Other core Crown	22,800	23,065	(265)	(1.1)	20,237
(7,924)	(7,657)	Intra-segment eliminations	(12,260)	(9,854)	(2,406)	(24.4)	(6,435)
<b>74,981</b>	<b>69,775</b>	<b>Total core Crown segment</b>	<b>73,185</b>	<b>74,428</b>	<b>(1,243)</b>	<b>(1.7)</b>	<b>69,739</b>
25,340	22,666	ACC portfolio	27,098	26,394	704	3	28,871
7,252	7,473	EQC portfolio	6,461	6,058	403	7	4,256
11,168	9,003	Other Crown entities	10,855	10,383	472	5	9,691
(3,685)	(3,477)	Intra-segment eliminations	(3,692)	(3,719)	27	0.7	(3,693)
<b>40,075</b>	<b>35,665</b>	<b>Total Crown entities segment</b>	<b>40,722</b>	<b>39,116</b>	<b>1,606</b>	<b>4.1</b>	<b>39,125</b>
<b>19,186</b>	<b>20,708</b>	<b>Total State-owned enterprises segment</b>	<b>19,323</b>	<b>19,108</b>	<b>215</b>	<b>1.1</b>	<b>20,053</b>
(18,064)	(16,853)	Inter-segment eliminations	(19,024)	(17,895)	(1,129)	(6.3)	(18,239)
<b>116,178</b>	<b>109,295</b>	<b>Total financial assets</b>	<b>114,206</b>	<b>114,757</b>	<b>(551)</b>	<b>(0.5)</b>	<b>110,678</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 31 Dec 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 12: Property, Plant and Equipment</b>							
<b>Net Carrying Value</b>							
<b>By class of asset:</b>							
33,626	36,287	Land (valuation) <sup>1</sup>	33,461	33,611	(150)	(0.4)	34,159
25,046	24,325	Buildings (valuation)	24,966	25,204	(238)	(0.9)	25,306
17,546	16,965	State highways (valuation) - excluding land	17,778	17,866	(88)	(0.5)	18,253
14,400	14,518	Electricity generation assets (valuation)	14,516	14,626	(110)	(0.8)	14,810
3,476	3,040	Electricity distribution network (cost)	3,553	3,838	(285)	(7.4)	3,906
3,220	3,279	Specialist military equipment (valuation)	3,158	3,201	(43)	(1.3)	3,148
2,514	2,461	Specified cultural and heritage assets (valuation)	2,492	2,494	(2)	(0.1)	2,481
2,250	1,991	Aircraft (excl military) (valuation)	2,235	2,340	(105)	(4.5)	2,273
856	7,251	Rail network (valuation) - excluding land	957	961	(4)	(0.4)	1,059
5,650	5,734	Other plant and equipment (cost)	5,593	5,812	(219)	(3.8)	6,324
<b>108,584</b>	<b>115,851</b>	<b>Total net carrying value</b>	<b>108,709</b>	<b>109,953</b>	<b>(1,244)</b>	<b>(1.1)</b>	<b>111,719</b>
<b>By source:</b>							
29,377	29,552	Core Crown	29,160	29,347	(187)	(0.6)	29,994
49,939	48,743	Crown entities	50,253	50,570	(317)	(0.6)	51,247
29,268	37,556	State-owned enterprises	29,296	30,036	(740)	(2.5)	30,478
-	-	Inter-segment eliminations	-	-	-	-	-
<b>108,584</b>	<b>115,851</b>	<b>Total net carrying value</b>	<b>108,709</b>	<b>109,953</b>	<b>(1,244)</b>	<b>(1.1)</b>	<b>111,719</b>
<b>Land breakdown by usage<sup>1</sup></b>							
8,744	8,408	Housing stock	8,714	8,739	(25)	(0.3)	8,756
8,353	8,503	State highway corridor land	8,353	8,353	-	-	8,503
5,454	5,685	Conservation estate	5,424	5,425	(1)	-	5,444
3,260	5,641	Rail network corridor land	3,260	3,260	-	-	3,260
2,726	2,722	Schools	2,703	2,707	(4)	(0.1)	2,743
1,471	1,548	Commercial (SOE) excluding rail	1,435	1,491	(56)	(3.8)	1,491
3,618	3,780	Other	3,572	3,636	(64)	(1.8)	3,962
<b>33,626</b>	<b>36,287</b>	<b>Total land</b>	<b>33,461</b>	<b>33,611</b>	<b>(150)</b>	<b>(0.4)</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	3,081	Additions	2,628	3,407	(779)	(22.9)	7,495
(941)	(197)	Disposals	(272)	(235)	(37)	(15.7)	(616)
(9,793)	114	Net revaluations	(2)	(11)	9	81.8	15
(664)	397	Other <sup>2</sup>	(613)	35	(648)	-	73
<b>121,717</b>	<b>129,996</b>	<b>Total cost or valuation</b>	<b>123,458</b>	<b>124,913</b>	<b>(1,455)</b>	<b>(1.2)</b>	<b>128,684</b>
<b>Accumulated depreciation and impairment</b>							
11,747	11,747	Opening balance	13,133	13,133	-	-	13,133
(634)	(169)	Eliminated on disposal	(82)	(50)	(32)	(64.0)	(31)
(3,415)	1	Eliminated on revaluation	-	-	-	-	(1)
5,687	2,458	Depreciation expense and impairment losses	1,899	1,911	(12)	(0.6)	3,908
(252)	108	Other <sup>2</sup>	(201)	(34)	(167)	(491.2)	(44)
<b>13,133</b>	<b>14,145</b>	<b>Total accumulated depreciation and impairment</b>	<b>14,749</b>	<b>14,960</b>	<b>(211)</b>	<b>(1.4)</b>	<b>16,965</b>
<b>108,584</b>	<b>115,851</b>	<b>Total property, plant and equipment</b>	<b>108,709</b>	<b>109,953</b>	<b>(1,244)</b>	<b>(1.1)</b>	<b>111,719</b>
2. Other mainly includes transfers to/from other asset categories.							

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 31 Dec 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 12 (continued): Property, Plant and Equipment</b>							
<b>Additions - by functional classification</b>							
2,291	1,128	Transport and communications	819	1,056	(237)	(22.4)	2,128
2,036	681	Economic and industrial services	782	999	(217)	(21.7)	1,750
442	366	Education	287	317	(30)	(9.5)	827
627	294	Health	284	411	(127)	(30.9)	804
339	212	Defence	42	148	(106)	(71.6)	449
779	400	Other	414	476	(62)	(13.0)	1,537
<b>6,514</b>	<b>3,081</b>	<b>Total additions</b>	<b>2,628</b>	<b>3,407</b>	<b>(779)</b>	<b>(22.9)</b>	<b>7,495</b>
<b>NOTE 13: NZ Superannuation Fund</b>							
539	255	Revenue	292	311	(19)	(6.1)	642
160	(180)	Less current tax expense	460	389	(71)	(18.3)	602
132	55	Less other expenses <sup>1</sup>	62	80	18	22.5	182
(204)	(1,264)	Add gains/(losses)	1,986	1,443	543	37.6	2,110
<b>43</b>	<b>(884)</b>	<b>Operating balance</b>	<b>1,756</b>	<b>1,285</b>	<b>471</b>	<b>36.7</b>	<b>1,968</b>
18,652	18,652	Opening net worth	18,703	18,703	-	-	18,703
43	(884)	Operating balance	1,756	1,285	471	36.7	1,968
8	4	Other movements in reserves	-	6	(6)	(100.0)	19
<b>18,703</b>	<b>17,772</b>	<b>Closing net worth</b>	<b>20,459</b>	<b>19,994</b>	<b>465</b>	<b>2.3</b>	<b>20,690</b>
<i>comprising:</i>							
18,815	17,661	Financial assets	20,811	20,823	(12)	(0.1)	21,491
(1,317)	(1,030)	Financial liabilities	(1,537)	(2,012)	475	23.6	(1,964)
1,205	1,141	Net other assets	1,185	1,183	2	0.2	1,163
<b>18,703</b>	<b>17,772</b>	<b>Closing net worth</b>	<b>20,459</b>	<b>19,994</b>	<b>465</b>	<b>2.3</b>	<b>20,690</b>
<b>Core Crown revenue (excl NZS Fund)</b>							
60,565	28,629	Core Crown revenue	29,893	29,930	(37)	(0.1)	62,939
539	255	Less NZS Fund revenue	292	311	(19)	(6.1)	642
160	(180)	Add back NZS Fund intra-segment revenue	460	389	71	18.3	602
<b>60,186</b>	<b>28,194</b>	<b>Core Crown revenue (excl NZS Fund)</b>	<b>30,061</b>	<b>30,008</b>	<b>53</b>	<b>0.2</b>	<b>62,899</b>
<b>OBEGAL excluding NZS Fund</b>							
(9,240)	(4,085)	Total Crown OBEGAL	(3,191)	(3,349)	158	4.7	(7,340)
539	255	Less NZS Fund revenue	292	311	(19)	(6.1)	642
77	30	Add back NZS Fund external expenses	43	62	(19)	(30.6)	141
160	(180)	Add back NZS Fund tax	460	389	71	18.3	602
<b>(9,542)</b>	<b>(4,490)</b>	<b>OBEGAL excluding NZS Fund</b>	<b>(2,980)</b>	<b>(3,209)</b>	<b>229</b>	<b>7.1</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 Dec 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 14: Payables</b>							
8,255	7,352	Accounts payable	7,404	8,160	756	9.3	8,990
3,349	2,996	Taxes repayable	2,873	2,984	111	3.7	3,433
<b>11,604</b>	<b>10,348</b>	<b>Total payables</b>	<b>10,277</b>	<b>11,144</b>	<b>867</b>	<b>7.8</b>	<b>12,423</b>
<b>NOTE 15: Insurance liabilities</b>							
30,648	28,030	ACC liability	29,035	29,873	838	2.8	31,598
8,877	8,682	EQC property damage liability	8,095	7,748	(347)	(4.5)	5,785
2,062	2,080	Southern Response (formerly AMI Insurance)	1,893	1,489	(404)	(27.1)	1,042
48	60	Other insurance liabilities	44	45	1	2.2	51
(449)	-	Inter-segment eliminations	(459)	(441)	18	4.1	(316)
<b>41,186</b>	<b>38,852</b>	<b>Total insurance liabilities</b>	<b>38,608</b>	<b>38,714</b>	<b>106</b>	<b>0.3</b>	<b>38,160</b>
<b>NOTE 16: Provisions</b>							
375	596	Provision for ETS Credits <sup>1</sup>	20	76	56	73.6	215
1,076	954	Provision for National Provident Fund guarantee	1,049	1,049	-	-	1,033
3,253	2,998	Provision for employee entitlements	3,083	3,122	39	1.2	3,239
745	714	Provision for Canterbury Red Zone support package	1,074	1,090	16	1.5	316
530	-	Provision for Infrastructure costs	488	488	-	-	409
189	567	Provision for weathertight services financial assistance package	187	193	6	3.1	156
1,338	1,074	Other provisions	656	628	(28)	(4.4)	1,933
<b>7,506</b>	<b>6,903</b>	<b>Total provisions</b>	<b>6,557</b>	<b>6,646</b>	<b>89</b>	<b>1.3</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 17: Changes in Net Worth</b>							
18,188	18,188	Opening taxpayers funds	3,520	3,520	-	-	3,520
(14,897)	(9,470)	Operating balance excluding minority interest	1,709	(541)	2,250	415.9	(3,275)
-	-	Partial share sales in state-owned enterprises	-	-	-	-	175
229	104	Transfers from/(to) other reserves	52	30	22	73.3	66
<b>3,520</b>	<b>8,822</b>	<b>Closing taxpayers funds</b>	<b>5,281</b>	<b>3,009</b>	<b>2,272</b>	<b>75.5</b>	<b>486</b>
62,690	62,690	Opening revaluation reserve	56,001	56,001	-	-	56,001
(6,461)	(70)	Net revaluations	(52)	(31)	(21)	(67.7)	(16)
(228)	(104)	Transfers from/(to) other reserves	(54)	(31)	(23)	(74.2)	(70)
<b>56,001</b>	<b>62,516</b>	<b>Closing revaluation reserve</b>	<b>55,895</b>	<b>55,939</b>	<b>(44)</b>	<b>(0.1)</b>	<b>55,915</b>
(299)	(299)	Opening other reserves	(173)	(173)	-	-	(173)
126	169	Net movements	73	36	37	102.8	57
<b>(173)</b>	<b>(130)</b>	<b>Closing other reserves</b>	<b>(100)</b>	<b>(137)</b>	<b>37</b>	<b>27.0</b>	<b>(116)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year 6 months		Current Year Actual vs Forecast					
to 30 Jun	to 31 Dec	Actual	Forecast	Variance	Annual	Forecast	
2012	2011	\$m	\$m	\$m	%	\$m	
<b>NOTE 18: Core Crown residual cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
54,249	22,925	Tax receipts	24,342	23,927	415	1.7	56,962
670	319	Other sovereign receipts	345	330	15	4.5	653
1,431	761	Interest, profits and dividends	791	779	12	1.5	1,471
2,699	1,335	Sale of goods & services and other receipts	1,248	1,176	72	6.1	2,600
(22,854)	(12,221)	Transfer payments and subsidies	(12,060)	(12,136)	76	0.6	(23,077)
(40,036)	(20,533)	Personnel and operating costs	(20,913)	(20,935)	22	0.1	(42,767)
(3,369)	(1,709)	Finance costs	(1,790)	(1,786)	(4)	(0.2)	(3,778)
-	-	Forecast for future new operating spending	-	47	(47)	(100.0)	(317)
-	-	Top-down expense adjustment	-	127	(127)	(100.0)	1,150
<b>(7,210)</b>	<b>(9,123)</b>	<b>Net core Crown operating cash flows</b>	<b>(8,037)</b>	<b>(8,472)</b>	<b>435</b>	<b>5.1</b>	<b>(7,103)</b>
(1,262)	(650)	Net purchase of physical assets	(543)	(702)	159	22.6	(2,061)
(1,022)	(233)	Net increase in advances	231	231	(0)	(0.1)	(777)
(1,150)	(568)	Net purchase of investments	(887)	(911)	24	2.6	(62)
-	-	Forecast for future new capital spending	-	-	-	-	(179)
-	-	Top-down capital adjustment	-	60	(60)	(100.0)	400
<b>(3,434)</b>	<b>(1,451)</b>	<b>Net Core Crown capital cash flows</b>	<b>(1,199)</b>	<b>(1,322)</b>	<b>123</b>	<b>9.3</b>	<b>(2,679)</b>
<b>(10,644)</b>	<b>(10,574)</b>	<b>Residual cash deficit</b>	<b>(9,236)</b>	<b>(9,794)</b>	<b>558</b>	<b>5.7</b>	<b>(9,782)</b>
<i>The residual cash deficit is funded as follows:</i>							
<b>Debt programme cash flows</b>							
Market:							
15,146	8,837	Issue of government bonds	9,851	9,939	(88)	(0.9)	15,799
(7,602)	(7,602)	Repayment of government bonds	-	-	-	-	(9,982)
2,139	2,099	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(2,674)	(3,739)	1,065	28.5	(4,501)
9,683	3,334	Total market debt cash flows	7,177	6,200	977	15.8	1,316
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(1,501)	(1,501)	Repayment of government bonds	-	-	-	-	(499)
430	(50)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(1,071)	(1,551)	Total non-market debt cash flows	-	-	-	-	(499)
<b>8,612</b>	<b>1,783</b>	<b>Total debt programme cash flows</b>	<b>7,177</b>	<b>6,200</b>	<b>977</b>	<b>15.8</b>	<b>817</b>
<b>Other borrowing cash flows</b>							
5,880	6,027	Net (repayment)/issue of other New Zealand dollar borrowing	1,247	1,196	51	4.3	3,684
(6,030)	(6,019)	Net (repayment)/issue of foreign currency borrowing	(967)	(144)	(823)	-	(2,318)
<b>(150)</b>	<b>8</b>	<b>Total other borrowing cash flows</b>	<b>280</b>	<b>1,052</b>	<b>(772)</b>	<b>4.3</b>	<b>1,366</b>
<b>Investing cashflows</b>							
2,270	9,655	Other net sale/(purchase) of marketable securities and deposits	5,066	5,157	(91)	(1.8)	10,338
203	721	Issues of circulating currency	678	89	589	-	160
(291)	(1,593)	Decrease/(increase) in cash	(3,965)	(2,704)	(1,261)	(46.6)	(2,899)
<b>2,182</b>	<b>8,783</b>	<b>Total investing cash flows</b>	<b>1,779</b>	<b>2,542</b>	<b>(763)</b>	<b>(30.0)</b>	<b>7,599</b>
<b>10,644</b>	<b>10,574</b>	<b>Residual cash deficit funding</b>	<b>9,236</b>	<b>9,794</b>	<b>(558)</b>	<b>(5.7)</b>	<b>9,782</b>

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