
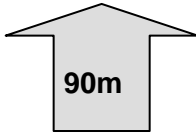

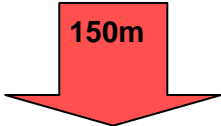


Statement of Financial Performance 2006/07 Dec Actuals

(\$ million)	Old GAAP Actual	New GAAP Actual	Variance
Revenue			
Taxation revenue	25,273	25,263	(10)
Other sovereign revenue	1,700	1,704	4
Total Revenue Levied through the Crown's Sovereign Power	26,974	26,967	(6)
Sales of goods and services	6,483	6,235	(248)
Interest revenue and dividends	3,582	1,576	(2,006)
Other revenue	1,040	1,212	172
Total Revenue Earned through the Crown's Operations	11,105	9,023	(2,082)
Total Revenue (excluding gains)	38,079	35,991	(2,088)
Expenses			
Social assistance and official development assistance	8,953	9,164	211
Personnel expenses	8,160	7,540	(621)
Depreciation and amortisation	1,487	1,522	35
Other operating expenses	12,778	12,376	(402)
Interest expenses	1,852	1,469	(383)
Insurance expenses (e.g. ACC)	414	442	28
Total Expenses (excluding losses)	33,643	32,513	(1,131)
Operating Balance before gains (losses)	4,436	3,478	(958)
Net gains/(losses) on financial instruments	..	930	930
Actuarial gains/(losses) on defined benefit plan liabilities	..	(171)	(171)
Other gains/(losses)	..	10	10
Total Gains (Losses)	..	770	770
Net surplus/(deficit) from associates and joint ventures	36	50	14
Operating Balance from continuing activities	4,472	4,298	(173)
Gain/(loss) from discontinued operations
Operating Balance (including minority interest)	4,472	4,298	(173)
Attributable to minority interest in Air NZ
Operating Balance	4,472	4,298	(173)






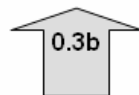

Estimated IFRS impact on Operating Balance		
Nature of Change	Operating balance	Comment
GSF net effect		No longer eliminating core transactions with GSF, eliminating SSCWT payments to IRD and measuring the liability under IFRS standards will affect the following lines: <ul style="list-style-type: none"> ▪ Taxation revenue (down \$50m) ▪ Interest income (down \$365m) ▪ Other revenue (down \$55m) ▪ Personnel expenses (down \$350m) ▪ Actuarial losses for defined benefit liabilities (down \$80m)
Other measurement and data changes		This is the cumulative impact of a number of variances between reported IFRS and current GAAP data across a number of entities (including \$40m fewer tax expenses to be eliminated against tax revenue).
Financial instruments		IFRS introduces greater fair value measurement, which in turn impacts on the operating balance. Operating balance changes evident from the December returns are: <ul style="list-style-type: none"> ▪ interest unwind on Justice and MSD receivables (revenue up \$35m) ▪ changes in fair value of Government Stock (losses increase \$110m) ▪ changes in fair value of SOE financial instruments (losses increase \$85m) ▪ initial write-down of Justice's receivables to fair value on recognition (expenses increase \$50m)
Reclassifications	Nil	There are significant reclassifications between line items. Key reclassifications are between: <ul style="list-style-type: none"> ▪ interest and dividend income, interest expense and gains/losses on financial instruments. ▪ sales of goods and services and other revenue ▪ official development assistance and operating expenses (both GAAP and IFRS numbers will be on the same basis in the Budget and subsequent reporting)
Total impact on NZ IFRS Operating Balance for December		This table illustrates the nature of IFRS changes and how the December 2006 results would have been affected if reported under IFRS. While some changes are 'structural' in that they will have a similar ongoing impact (i.e. no longer eliminating GSF), the impact of other changes may vary considerably from month-to-month (i.e. greater fair value movements in assets and liabilities).

Statement of Financial Position

2006/07 Dec Actuals

(\$ million)	Old GAAP Actual	New GAAP Actual	Variance
Assets			
Cash and cash equivalents	3,997	3,506	(491)
Receivables	14,948	13,692	(1,255)
Marketable securities	32,259	27,266	(4,993)
Share investments	17,257	12,654	(4,603)
Derivatives in gain	..	2,162	2,162
Advances	10,103	13,031	2,928
Prepayments	411	387	(23)
Assets held for sale	470	130	(340)
Inventory	972	791	(181)
Agricultural assets	549	731	181
Investment property	..	80	80
Property, plant and equipment	90,548	90,222	(326)
Equity accounted investments (Incl TEIs)	5,511	6,313	802
Intangible assets and Goodwill	622	1,531	909
Total Assets	177,646	172,495	(5,151)
Liabilities			
Issued currency	3,958	4,042	85
Payables	12,227	8,779	(3,448)
Deferred revenue	..	886	886
Derivatives in loss	..	683	683
Settlement deposits with the Reserve Bank	8,776	8,781	5
Other borrowings	34,251	33,786	(465)
Insurance liabilities	13,129	15,373	2,244
Defined benefit retirement plan liabilities	15,488	8,441	(7,047)
Provisions	3,572	3,970	398
Total Liabilities	91,399	84,741	(6,658)
Total Assets less Total Liabilities	86,247	87,754	1,507
Net Worth			
Taxpayer funds	37,993	39,870	1,877
Revaluation reserve	47,962	47,306	(656)
Cashflow hedge reserve	..	273	273
Available for sale financial asset reserve	..	13	13
Total Net Worth attributable to the Crown	85,955	87,461	1,507
Net Worth attributable to minority interest in Air NZ	293	293	0
Total Net Worth	86,247	87,755	1,507


Estimated IFRS impact on Net Worth

Nature of Change	Net Worth	Comment																												
GSF measurement and classification changes	 <p align="center">3.1b</p>	<p>Decrease in GSF defined benefit liability due to:</p> <p>(a) valuing the liability according to the expected payment to pensioners rather than the current approach which determines what amount is needed to be transferred to GSF today to make it fully funded (the key difference being the tax treatment of the two approaches)</p> <p>(b) netting GSF plan assets against the gross defined benefit liability (nil impact on net worth) and</p> <p>(c) no longer eliminating government stock 'ringed fenced' in the plan</p> <table border="1" data-bbox="491 456 1362 645"> <thead> <tr> <th></th> <th align="right">GAAP Actual</th> <th align="right">IFRS Actual</th> <th align="right">Variance</th> </tr> </thead> <tbody> <tr> <td>Gross defined benefit liability change</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Tax effect on valuation</td> <td align="right">15,488</td> <td align="right">12,355</td> <td align="right">(3,133) (a)</td> </tr> <tr> <td>Netting assets against the liability</td> <td></td> <td align="right">(3,754)</td> <td align="right">(3,754) (b)</td> </tr> <tr> <td>Add back Government stock holdings</td> <td></td> <td align="right">(103)</td> <td align="right">(103) (c)</td> </tr> <tr> <td>Other</td> <td></td> <td align="right">(57)</td> <td align="right">(57)</td> </tr> <tr> <td>Net GSF defined benefit liability</td> <td align="right">15,488</td> <td align="right">8,441</td> <td align="right">(7,047)</td> </tr> </tbody> </table>		GAAP Actual	IFRS Actual	Variance	Gross defined benefit liability change				Tax effect on valuation	15,488	12,355	(3,133) (a)	Netting assets against the liability		(3,754)	(3,754) (b)	Add back Government stock holdings		(103)	(103) (c)	Other		(57)	(57)	Net GSF defined benefit liability	15,488	8,441	(7,047)
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Net GSF defined benefit liability	15,488	8,441	(7,047)																											
ACC measurement and classification changes	 <p align="center">1.6b</p>	<p>Increase in ACC insurance liability due to:</p> <p>(a) an additional risk margin added to the liability as required by NZ IFRS</p> <p>(b) a liability adequacy test required under NZ IFRS resulting in further provisions for unearned levies</p> <p>(c) amounts separately reported as accounts receivable and payable (e.g. levy prepayments and arrears) to be netted against the liability (nil impact on net worth)</p> <table border="1" data-bbox="491 864 1362 1048"> <thead> <tr> <th></th> <th align="right">GAAP Actual</th> <th align="right">IFRS Actual</th> <th align="right">Variance</th> </tr> </thead> <tbody> <tr> <td>ACC Insurance liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Insurance liability under GAAP</td> <td align="right">13,074</td> <td align="right">13,074</td> <td align="right">..</td> </tr> <tr> <td>Additional risk margin</td> <td></td> <td align="right">1,439</td> <td align="right">1,439 (a)</td> </tr> <tr> <td>Deficiency value recognised in adequacy test</td> <td></td> <td align="right">204</td> <td align="right">204 (b)</td> </tr> <tr> <td>Netting receivables/payables</td> <td></td> <td align="right">585</td> <td align="right">585 (c)</td> </tr> <tr> <td>Closing ACC Insurance liabilities</td> <td align="right">13,074</td> <td align="right">15,302</td> <td align="right">2,228</td> </tr> </tbody> </table>		GAAP Actual	IFRS Actual	Variance	ACC Insurance liabilities				Insurance liability under GAAP	13,074	13,074	..	Additional risk margin		1,439	1,439 (a)	Deficiency value recognised in adequacy test		204	204 (b)	Netting receivables/payables		585	585 (c)	Closing ACC Insurance liabilities	13,074	15,302	2,228
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Receivables measurement changes	 <p align="center">0.4b</p>	<p>A write down of receivables from taxes and fines due to IFRS requirement to factor time value of money and collection costs into their valuation</p>																												
Residual financial instruments changes	 <p align="center">0.1b</p>	<p>Cumulative effect of reclassifications of financial liabilities and assets, separate recognition of derivatives (in some instances for the first time) and impact of fair valuing some government stock</p>																												
National Provident Fund provision	 <p align="center">0.2b</p>	<p>Tax effect of valuing the estimated liability on the basis of present valuing the possible payments to this scheme under the current arrangements, rather than the current approach which determines what payment would be</p>																												
Reclassifications	<p align="center">NIL</p>	<p>There are significant reclassifications between line items. Key reclassifications are between:</p> <ul style="list-style-type: none"> - cash, marketable securities and advances (including some netting of these against GSF and ACC liabilities) - asset revaluation reserves and Taxpayer's funds on transition to NZ IFRS - payables, deferred revenue and provisions 																												
LINZ fair valuing some properties	 <p align="center">0.3b</p>	<p>Under IFRS some LINZ properties previously reported at cost need to be fair valued. This exercise won't be completed until May, but work to date has identified an increase of \$0.3bn in the value of these properties.</p>																												
Total expected impact on Net Worth as a result of IFRS	 <p align="center">1.5b</p>	<p>This table illustrates the nature of IFRS changes and how the December 2006 balance sheet would have been affected if reported under IFRS. Some changes are 'structural' in that they will have a similar ongoing impact on future reporting (i.e. GSF and ACC measurement changes alter the future profile of these liabilities), while the impact of other changes may vary from month-to-month (i.e. greater use of fair values).</p>																												

Statement of Cash Flows

2006/07 Dec Actuals

(\$ million)	GAAP Actual	IFRS Actual	Variance
Cash flows from operations			
Cash was provided from			
Total tax receipts	24,488	24,409	(78)
Other sovereign receipts	2,056	2,018	(38)
Sales of goods and services	7,035	7,038	3
Interest	1,242	768	(473)
Dividends	42	185	144
Other operating receipts	814	930	116
Total cash provided from operations	35,676	35,348	(327)
Cash was disbursed to			
Social assistance and Official Development Assistance	(9,304)	(9,305)	(2)
Personnel and operating payments	(20,853)	(20,754)	99
Finance costs	(1,288)	(1,203)	85
Forecast for future new spending
Total cash disbursed to operations	(31,444)	(31,262)	183
Net cash flows fom operations	4,231	4,087	(145)
Cash flows from investing activities			
Cash was provided from			
Sale of share investments and other securities	..	8,377	8,377
Sale of physical assets	174	185	11
Proceeds from loans and advances	..	288	288
Disposal of investment in associates	..	6	6
Total cash provided from investing activities	174	8,856	8,682
Cash was disbursed to			
Purchase of share investments and other securities	(5,605)	(13,713)	(8,108)
Purchase of physical assets	(2,980)	(2,931)	49
Purchase of intangible assets	..	(67)	(67)
Repayment of loans and advances	(903)	(1,403)	(500)
Acquisition of investment in associates	..	(292)	(292)
Total cash disbursed to investing activities	(9,487)	(18,406)	(8,919)
Net cash flows from investing activities	(9,313)	(9,550)	(237)
Net Cash Flows from Operating and Investing Activities	(5,082)	(5,463)	(381)
Cash flows from financing activities			
Cash was provided from			
Issues of circulating currency	680	680	..
Proceeds from borrowings	7,505	11,722	4,218
Total cash provided from financing activities	8,184	12,402	4,218
Cash was disbursed to			
Repayment of borrowings	(3,198)	(7,042)	(3,844)
Total cash disbursed to financing activities	(3,198)	(7,042)	(3,844)
Net cash flows from financing activities	4,986	5,360	374
Net (decrease)/increase in cash and cash equivalents	(95)	(103)	(7)

Estimated IFRS impact on Cash Flows		
Nature of Change	Net Cash Flows	Comment
Total impact on Cash Flows (net decrease in cash and cash equivalents)		<p>IFRS has no impact on actual cash flows. It does, however, affect the presentation of cash flows (and at the margins what is captured in the definition of "cash and cash equivalents", hence the small variance). Key presentation or reclassification changes are:</p> <ul style="list-style-type: none"> - reduced tax receipts and operating payments as a result of eliminating Specified Superannuation Contribution Withholding Tax (SSCWT) related to GSF contributions - within investing activities and financing activities as a result of reporting sales and purchases separately, whereas under current GAAP they are typically reported on a net basis - some reclassification between investing and financing activities, and to a lesser extent operating activities