



## FINANCIAL STATEMENTS

## Statement of Financial Performance

for the year ended 30 June 2008

Forecast			Note	Actual	
Original Budget \$m	Estimated Actuals \$m			30 June 2008 \$m	30 June 2007 \$m
		<b>Revenue</b>			
54,173	56,186	Taxation revenue	2	56,372	53,064
3,693	3,851	Other sovereign revenue	2	3,879	3,496
<b>57,866</b>	<b>60,037</b>	<b>Total revenue levied through the Crown's sovereign power</b>		<b>60,251</b>	<b>56,560</b>
13,253	13,682	Sales of goods and services	3	15,399	12,613
3,366	3,203	Interest revenue and dividends	4	3,214	2,995
2,387	2,891	Other revenue	5	2,615	2,421
<b>19,006</b>	<b>19,776</b>	<b>Total revenue earned through operations</b>		<b>21,228</b>	<b>18,029</b>
<b>76,872</b>	<b>79,813</b>	<b>Total revenue (excluding gains)</b>		<b>81,479</b>	<b>74,589</b>
		<b>Expenses</b>			
17,892	18,520	Transfer payments and subsidies	6	18,374	16,346
15,657	16,422	Personnel expenses	7	16,478	15,284
3,296	3,618	Depreciation and amortisation	8	3,670	3,397
28,997	29,217	Other operating expenses	9	30,656	27,842
2,748	2,954	Interest expenses	10	3,101	2,885
3,010	4,095	Insurance expenses	11	3,563	2,975
314	-	Forecast new operating spending		-	-
-	(240)	Top-down expense adjustment		-	-
<b>71,914</b>	<b>74,586</b>	<b>Total expenses (excluding losses)</b>		<b>75,842</b>	<b>68,729</b>
<b>4,958</b>	<b>5,227</b>	<b>Operating balance before gains/(losses)</b>		<b>5,637</b>	<b>5,860</b>
1,377	(824)	Net gains/(losses) on financial instruments	12	(617)	1,565
-	(2,007)	Net gains/(losses) on non-financial instruments	13	(2,925)	486
<b>1,377</b>	<b>(2,831)</b>	<b>Total gains/(losses)</b>		<b>(3,542)</b>	<b>2,051</b>
96	166	Net surplus/(deficit) from associates and joint ventures		334	191
<b>6,431</b>	<b>2,562</b>	<b>Operating balance from continuing activities</b>		<b>2,429</b>	<b>8,102</b>
-	(3)	Gain/(loss) from discontinued operations		22	(92)
<b>6,431</b>	<b>2,559</b>	<b>Operating balance (including minority interest)</b>		<b>2,451</b>	<b>8,010</b>
-	-	Operating balance attributable to minority interest in Air New Zealand		(67)	12
<b>6,431</b>	<b>2,559</b>	<b>Operating balance</b>		<b>2,384</b>	<b>8,022</b>

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## Analysis of Expenses by Functional Classification

for the year ended 30 June 2008

Forecast			Actual	
Original Budget	Estimated Actuals		30 June 2008	30 June 2007
\$m	\$m		\$m	\$m
<b>Total Crown expenses</b>				
21,271	22,274	Social security and welfare	21,509	19,829
629	714	GSF pension expenses	690	645
11,699	10,765	Health	10,809	9,989
10,321	10,803	Education	10,397	9,853
2,132	3,163	Core government services	3,274	4,763
3,076	3,192	Law and order	3,082	2,822
1,597	1,524	Defence	1,525	1,478
7,671	7,185	Transport and communications	7,424	6,855
5,879	7,433	Economic and industrial services	9,038	5,395
1,319	1,404	Primary services	1,459	1,233
2,218	2,366	Heritage, culture and recreation	2,337	2,043
961	965	Housing and community development	938	865
79	84	Other	259	74
2,748	2,954	Finance costs	3,101	2,885
314	-	Forecast new operating spending	-	-
-	(240)	Top-down expense adjustment	-	-
<b>71,914</b>	<b>74,586</b>	<b>Total Crown expenses excluding losses</b>	<b>75,842</b>	<b>68,729</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.

Forecast			Actual	
Original Budget	Estimated Actuals		30 June 2008	30 June 2007
\$m	\$m		\$m	\$m
<b>Core Crown expenses</b>				
17,698	18,071	Social security and welfare	17,877	16,768
629	714	GSF pension expenses	690	645
11,613	11,343	Health	11,297	10,355
9,719	10,046	Education	9,551	9,269
2,479	3,222	Core government services	3,371	4,817
2,836	2,943	Law and order	2,894	2,699
1,641	1,566	Defence	1,562	1,517
2,792	2,290	Transport and communications	2,244	2,405
2,276	2,828	Economic and industrial services	2,889	1,595
494	565	Primary services	541	438
977	1,123	Heritage, culture and recreation	1,107	844
304	282	Housing and community development	260	255
80	84	Other	254	68
2,244	2,527	Finance costs	2,460	2,329
314	-	Forecast new operating spending	-	-
-	(240)	Top-down expense adjustment	-	-
<b>56,096</b>	<b>57,364</b>	<b>Total core Crown expenses excluding losses</b>	<b>56,997</b>	<b>54,004</b>

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## Statement of Cash Flows

for the year ended 30 June 2008

Forecast			Actual		
Original	Estimated		30 June	30 June	
Budget	Actuals		2008	2007	
\$m	\$m		\$m	\$m	
Cash Flows From Operations					
Cash was provided from					
54,266	55,662	Taxation receipts	2	55,168	52,157
3,472	3,496	Other sovereign receipts	2	3,460	3,224
13,394	14,001	Sales of goods and services		14,635	12,996
2,760	2,718	Interest and dividend receipts		3,111	2,491
2,302	2,532	Other operating receipts		2,211	2,222
76,194	78,409	Total cash provided from operations		78,585	73,090
Cash was disbursed to					
19,529	18,242	Transfer payments and subsidies		18,026	16,344
44,025	46,643	Personnel and operating payments		45,972	41,845
2,530	2,705	Interest payments		2,820	2,441
314	-	Forecast new operating spending		-	-
-	(240)	Top-down expense adjustment		-	-
66,398	67,350	Total cash disbursed to operations		66,818	60,630
9,796	11,059	Net cash flows from operations		11,767	12,460
Cash Flows From Investing Activities					
Cash was provided from					
226	384	Sale of physical assets		401	432
9,237	23,050	Sale of shares and other securities		26,208	20,017
-	13	Sale of intangible assets		26	-
1,091	2,144	Repayment of advances		1,173	2,156
-	2	Sale of investments in associates		109	28
10,554	25,593	Total cash provided from investing activities		27,917	22,633
Cash was disbursed to					
6,887	6,210	Purchase of physical assets		5,323	5,646
13,728	28,013	Purchase of shares and other securities		32,288	28,558
144	312	Purchase of intangible assets		346	232
2,719	3,297	Issue of advances		3,819	2,900
95	996	Acquisition of investments in associates		472	323
184	690	Capital contingency provision		-	-
23,757	39,518	Total cash disbursed to investing activities		42,248	37,659
(13,203)	(13,925)	Net cash flows from investing activities		(14,331)	(15,026)
(3,407)	(2,866)	Net cash flows from operating and investing activities		(2,564)	(2,566)

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## Statement of Cash Flows (continued)

for the year ended 30 June 2008

Forecast			Actual	
Original	Estimated		30 June	30 June
Budget	Actuals		2008	2007
\$m	\$m		\$m	\$m
(3,407)	(2,866)	Net cash flows from operating and investing activities	(2,564)	(2,566)
		<b>Cash Flows From Financing Activities</b>		
		<b>Cash was provided from</b>		
178	260	Issues of circulating currency	86	81
3,860	3,335	Issue of Government stock and treasury bills <sup>1</sup>	2,769	2,883
3	922	Issue of foreign currency borrowing	1,278	2,493
2,225	1,735	Issue of other New Zealand dollar borrowing	2,147	5,999
<b>6,266</b>	<b>6,252</b>	<b>Total cash provided from financing activities</b>	<b>6,280</b>	<b>11,456</b>
		<b>Cash was disbursed to</b>		
1,637	978	Repayment of Government stock and treasury bills <sup>1</sup>	1,095	6,640
1,133	1,341	Repayment of foreign currency borrowing	179	713
-	-	Repayment of other New Zealand dollar borrowing	2,819	971
-	-	Dividends paid to minority interests	25	37
<b>2,770</b>	<b>2,319</b>	<b>Total cash disbursed to financing activities</b>	<b>4,118</b>	<b>8,361</b>
<b>3,496</b>	<b>3,933</b>	<b>Net cash flows from financing activities</b>	<b>2,162</b>	<b>3,095</b>
<b>89</b>	<b>1,067</b>	<b>Net movement in cash</b>	<b>(402)</b>	<b>529</b>
3,107	4,163	<b>Opening cash balance</b>	4,162	3,676
-	(13)	Foreign-exchange gains/(losses) on opening cash	44	(43)
<b>3,196</b>	<b>5,217</b>	<b>Closing cash balance</b>	<b>3,804</b>	<b>4,162</b>

- 1 Net issues of Government stock and treasury bills is after elimination of holdings by entities such as NZS Fund, ACC and EQC. Further information on the proceeds and repayments of Government stock ("domestic bonds") is available on page 161.

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## Statement of Cash Flows (continued)

for the year ended 30 June 2008

Forecast			Actual	
Original Budget \$m	Estimated Actuals \$m		30 June 2008 \$m	30 June 2007 \$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance				
9,796	11,059	Net Cash Flows from Operations <i>Items included in the operating balance but not in net cash flows from operations</i>	11,767	12,460
Gains/(losses)				
1,377	(824)	Gains/(losses) on other financial instruments	(617)	1,565
-	(2,007)	Gains/(losses) on other non-financial instruments	(2,925)	486
1,377	(2,831)	Total gains/(losses)	(3,542)	2,051
Other Non-cash Items in Operating Balance				
(3,296)	(3,618)	Depreciation and amortisation	(3,670)	(3,397)
(518)	(628)	Write-down on initial recognition of financial assets	(559)	(629)
(38)	201	Impairment on financial assets (excl receivables)	213	37
(51)	(78)	Decrease/(increase) in defined benefit retirement plan liabilities	2	13
(1,013)	(2,276)	Decrease/(increase) in insurance liabilities	(1,358)	(1,098)
97	166	Other	334	191
(4,819)	(6,233)	Total other non-cash Items	(5,038)	(4,883)
Movements in Working Capital				
218	267	Increase/(decrease) in receivables	2,100	(1,591)
389	237	Increase/(decrease) in accrued interest	(179)	61
41	107	Increase/(decrease) in inventories	138	83
(2)	(49)	Increase/(decrease) in prepayments	77	(89)
-	(80)	Decrease/(increase) in deferred revenue	(326)	(73)
(569)	82	Decrease/(increase) in payables	(2,613)	3
77	564	Total movements in working capital	(803)	(1,606)
6,431	2,559	Operating balance	2,384	8,022

The accompanying Notes and Accounting Policies are an integral part of these Statements.

# Statement of Recognised Income and Expense

for the year ended 30 June 2008

Forecast			Actual	
Original Budget \$m	Estimated Actuals \$m		30 June 2008 \$m	30 June 2007 \$m
-	43	Revaluation of physical assets	5,896	4,791
-	-	Share of associates revaluation of physical assets	318	471
39	(2)	Effective portion of changes in the fair value of cash flow hedges	9	(331)
74	(15)	Net change in fair value of cash flow hedges transferred to operating profit	22	(59)
-	(36)	Net change in fair value of cash flow hedges transferred to the hedged item	(60)	(13)
-	3	Foreign currency translation differences for foreign operations	17	(65)
-	7	Valuation gain/(losses) on investments available for sale taken to reserves	11	10
-	-	Other movements	-	11
<b>113</b>	-	<b>Total income/(expense) recognised directly in net worth</b>	<b>6,213</b>	<b>4,815</b>
6,431	2,559	<b>Operating Balance (including minority interest)</b>	2,451	8,010
<b>6,544</b>	<b>2,559</b>	<b>Total recognised income and expense</b>	<b>8,664</b>	<b>12,825</b>
<b>Attributable to:</b>				
-	-	- minority interest in Air New Zealand	83	(80)
6,544	2,559	- the Crown	8,581	12,905
<b>6,544</b>	<b>2,559</b>	<b>Total recognised income and expense</b>	<b>8,664</b>	<b>12,825</b>

This statement reports changes in net worth due to the operating balance, items of income or expense that are recognised directly in net worth and the effect of certain accounting changes.

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## Statement of Financial Position

as at 30 June 2008

Forecast			Note	Actual	
Original Budget	Estimated Actuals			30 June 2008	30 June 2007
\$m	\$m			\$m	\$m
<b>Assets</b>					
3,196	5,217	Cash and cash equivalents		3,804	4,162
12,547	12,326	Receivables	14	14,158	12,057
35,134	36,365	Marketable securities, deposits and derivatives in gain	15	41,189	33,190
16,986	12,536	Share investments	16	12,964	13,581
12,838	13,907	Advances	17	12,948	10,728
982	933	Inventory	18	964	826
1,492	1,425	Other assets	19	1,663	1,527
95,950	98,355	Property, plant & equipment	20	103,329	95,598
6,647	7,519	Equity accounted investments	21	8,065	7,001
1,555	1,772	Intangible assets and goodwill		1,751	1,677
184	690	Forecast for new capital spending		-	-
(200)	-	Top-down capital adjustment		-	-
<b>187,311</b>	<b>191,045</b>	<b>Total assets</b>		<b>200,835</b>	<b>180,347</b>
<b>Liabilities</b>					
3,730	3,704	Issued currency		3,530	3,444
9,036	8,423	Payables	22	10,895	8,077
845	1,046	Deferred revenue		1,292	966
46,364	45,546	Borrowings	23	46,110	41,898
19,011	20,752	Insurance liabilities	24	20,484	17,418
8,414	8,146	Retirement plan liabilities	25	8,257	7,161
3,850	4,045	Provisions	26	4,753	4,556
<b>91,250</b>	<b>91,662</b>	<b>Total liabilities</b>		<b>95,321</b>	<b>83,520</b>
<b>96,061</b>	<b>99,383</b>	<b>Total assets less total liabilities</b>		<b>105,514</b>	<b>96,827</b>
<b>Net Worth</b>					
48,239	46,767	Taxpayer funds		46,700	44,222
47,402	52,498	Property, plant and equipment revaluation reserve		58,566	52,442
127	(178)	Other reserves		(134)	(133)
<b>95,768</b>	<b>99,087</b>	<b>Total net worth attributable to the Crown</b>	27	<b>105,132</b>	<b>96,531</b>
293	296	Net worth attributable to minority interest in Air New Zealand		382	296
<b>96,061</b>	<b>99,383</b>	<b>Total net worth</b>		<b>105,514</b>	<b>96,827</b>

The accompanying Notes and Accounting Policies are an integral part of these Statements.