

Financial Statements of the Government of New Zealand

For the Nine Months
Ended 31 March 2006



5 May 2006

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CONTENTS

Commentary

Crown Financial Statements – March 2006	4
Summary	5
Breakdown of Indicators	6
Comparison with Prior Year	8
Quarterly Series of Key Indicators	10

Financial Statements

Statement of Accounting Policies (including an explanation of changes to presentation)	12
<i>This section outlines the summary accounting policies underpinning the preparation of the Crown financial statements. It includes an explanation of the changes to the basis of these accounts from past presentational formats.</i>	
Statement of Financial Performance	14
<i>The statement outlines the operating results of the total Crown (ie, revenues and expenses of all departments + Reserve Bank + GSF (core Crown), SOEs (including Air New Zealand) and Crown entities). Expense by sector is also shown for total Crown and core Crown.</i>	
Statement of Cash Flows	16
Statement of Movements in Equity	17
Statement of Financial Position	18
<i>The statement outlines balance sheet results of the total Crown (ie, assets and liabilities of the core Crown, SOEs and Crown entities added together). Additional information is provided on the NZS Fund and debt indicators.</i>	
Statement of Borrowings	20
<i>The statement outlines total borrowings (split by sovereign-guaranteed and non-sovereign guaranteed and categorised as domestic and foreign) less all financial assets. The net result does not represent net (core) Crown debt. Net (core) Crown numbers are shown in the information with the Statement of Financial Position and Segment information.</i>	
Statement of Commitments	21
Statement of Contingent Liabilities and Assets	21
Statement of Segments	22
<i>A new statement that outlines the operating results and balance sheet by each institutional segment (ie, core Crown, SOEs and Crown entities).</i>	
Notes to the Financial Statements	26
Core Crown – Government Bonds Reconciliation	36
<i>The statement outlines the core Crown operating and investing flows and the amount available for debt repayment. It is reconciled to the NZDMO Government Stock programme.</i>	
Maturity Profile	37
<i>The statement outlines the maturity of core Crown debt.</i>	

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COMMENTARY

CROWN FINANCIAL STATEMENTS – MARCH 2006

The Government of New Zealand has a series of long term fiscal objectives, including objectives on the operating balance, revenue, expenses, debt and net worth, to maintain fiscal responsibility.

To enable progress towards these long term objectives, the Government has outlined where its focus will be. Taken together this enables interested parties to assess the picture of the fiscal performance of the Government.

In summary, given the long term debt to GDP objective and a policy of prefunding future expenses (ie, the purpose of the NZS Fund) it requires a level of operating balance sufficient to generate cashflow to cover capital investment.

Within the full set of financial statements, each individual statement provides a different set of information to assess the overall performance (eg, expenses in the operating statement gives an indication of size of Government and the cashflow from operating and investing provides the amount left over or required to be financed after all spending, operating and capital, is taken into account).

These financial statements provide a snap-shot of progress towards the long term fiscal objectives and the performance against the latest set of fiscal forecasts released in the Half Year Economic and Fiscal Update on 19 December 2005.

A summary of the long term objectives are outlined below.

Long-term fiscal objectives	To achieve the objectives of fiscal policy, the Government's high-level focus is on:
<p>Operating balance: Operating surplus on average over the economic cycle sufficient to meet the requirements for contributions to the NZS Fund and ensure consistency with the long-term debt objective.</p>	<ul style="list-style-type: none"> • Operating surpluses (measured by the OBERAC) during the build-up phase of the NZS Fund. The focus is on core Crown revenues and expenses, with tax-to-GDP and core Crown expenses-to-GDP around current levels. • Because the OBERAC surplus includes the net (after-tax) return on the NZS Fund, which the NZS Fund will retain, the Government is effectively targeting OBERAC surpluses excluding the NZS Fund's retained investment returns.
<p>Revenue: Ensure sufficient revenue to meet the operating balance objective.</p>	<ul style="list-style-type: none"> • A robust, broad-based tax system that raises revenue in a fair and efficient way. • State Owned Enterprises (SOEs) and Crown entities contributing to surpluses, consistent with their legislation and Government policy.
<p>Expenses: Ensure expenses are consistent with the operating balance objective.</p>	
<p>Debt: Manage total debt at prudent levels. Gross sovereign-issued debt as a percentage of GDP slowly reducing over the longer term and passing through 20% of GDP before 2015.</p>	<ul style="list-style-type: none"> • SOEs will have debt structures that reflect best commercial practice. Changes in the level of debt will reflect specific circumstances. • Gross sovereign-issued debt-to-GDP will be reducing during the period ahead of the major demographic changes associated with population ageing. • Net debt, with NZS Fund assets, is expected to fall towards minus 15% of GDP by 2015 (ie, a net financial asset position).
<p>Net worth: Increase net worth consistent with the operating balance objective.</p>	<ul style="list-style-type: none"> • Increasing net worth consistent with the operating balance objective will see net worth at above 50% of GDP by 2015. • The NZS Fund is expected to be 21% of GDP by 2015. • Consistent with the net worth objective, there will also be a focus on quality investment.

SUMMARY

The Crown financial statements for the nine months ended 31 March 2006 are compared against forecasts based on the 2005 Half Year Economic and Fiscal Update (Half Year Update).

Table 1 – Summary Fiscal Indicators

\$ million	March	March	Variance \$m	June 2006 Forecast	June 2005 Actual
	2006 Actual YTD	2006 Forecast YTD			
Net cash flow from core operating and investing activity	2,127	1,963	164	492	3,104
Gross sovereign-issued debt	35,997	32,447	3,550	33,275	35,045
% of GDP	23.4	21.1	2.3	21.3	23.2
Net core Crown debt	8,846	9,750	(904)	10,597	10,771
% of GDP	5.7	6.3	(0.6)	6.8	7.1
Net core Crown debt with NZS Fund assets	(398)	1,178	(1,576)	1,199	4,216
% of GDP	(0.3)	0.8	(1.1)	0.8	2.8
Total Crown debt	39,249	35,647	3,602	36,054	36,864
Operating balance	9,391	5,862	3,529	5,557	6,247
OBERAC	6,138	5,862	276	5,924	8,873
Net worth	59,366	55,853	3,513	55,555	49,983

Net cash flow from core operating and investing activity was slightly ahead of forecast at \$2.1 billion, due to higher tax and interest receipts, being partially offset by higher operating expenditure.

Gross sovereign-issued debt (GSID) was \$36.0 billion (23.4% of GDP), around \$3.5 billion higher than forecast. This was largely due to:

- the Reserve Bank raising the settlement cash level to \$2 billion (previously \$20 million) due to their concerns over liquidity pressures in the payments system created by the February NZ Government Bond maturity (the bond maturity reduces the amount of collateral available for the banks to use). This is likely to remain through year-end;
- the significant depreciation in the NZD during February and March¹ has increased the NZD value of both foreign currency borrowing and the derivatives component of GSID; and
- higher than forecast rollover of repurchase agreements of securities held by the Reserve Bank of around \$0.3 billion (the forecast was based on levels as at 31 October 2005).

They were all net debt neutral.

Net core Crown debt was \$8.8 billion which was around \$0.9 billion lower than forecast, largely due to higher net cash flow from core operating and investing activity, higher issues of circulating currency and unrealised FX gains (the latter two are not forecast as a matter of policy).

Net core Crown debt including the NZS Fund (which is an annual indicator included in the five-year fiscal forecasts) has moved into a net asset position in March. This was earlier than forecast due to higher investment income by the NZS Fund and higher net cash flow from core operating and investing activity.

The **operating balance** of \$9.4 billion in March was higher than forecast by \$3.5 billion. This has primarily been driven by higher investment income (which has been the trend since November). This was due to:

- Meridian Energy's gain on sale of Southern Hydro of around \$0.6 billion (as reported in the November 2005 financial statements), which was not forecast;
- higher than expected investment returns of the NZS Fund (around \$0.9 billion), ACC (around \$0.7 billion), EQC (around \$0.3 billion) and GSF (around \$0.3 billion);
- higher net foreign-exchange gains by the Reserve Bank, DMO and the NZS Fund of around \$0.5 billion; and
- other core Crown expenses being \$0.3 billion lower than forecast, due to underspends spread across a number of departments.

Since the OBERAC removes the investment gains, it is mainly lower core Crown expenses that have resulted in the **OBERAC** being \$0.3 billion ahead of forecast, at \$6.1 billion.

¹ For example, the exchange rate between USD and NZD has decreased from 0.6931 in the September 2005 to 0.6121 in March 2006. The forecast was based on the average exchange rate in September 2005.

BREAKDOWN OF INDICATORS

DEBT

Core Crown Cash flow from operating and investing activities (page 36) was \$2.1 billion. This represents \$40.0 billion of receipts (including tax receipts of \$37.6 billion) being utilised on:

- Operating payments including finance costs of \$22.4 billion; and
- Subsidies and transfer payments (eg, NZ Superannuation and Unemployment benefit) of \$11.1 billion, giving a **cashflow from operating activities** of \$6.5 billion.

This was then used to fund:

- Contributions to the NZS Fund for partially funding future NZS payments of \$1.7 billion
- Purchase of physical assets (eg, prisons, schools) of \$1.3 billion; and
- Other investment activity (including hospitals, housing, student loans and Reserve Bank reserves) of around \$1.4 billion.

Gross sovereign issued debt (page 19) was \$36.0 billion (23.4% of GDP) made up of:

- \$18.3 billion of domestic debt (including Government Stock and Treasury Bills); and
- \$17.7 billion of foreign denominated debt.

Net core crown debt (page 19) was \$8.8 billion made up of:

- Gross sovereign issued debt of \$36.0 billion; offset by financial assets including
- Marketable securities and deposits and cash of \$19.1 billion; and
- Advances (including student loans) of \$8.1 billion.

The cashflow is the primary driver of the movement in both debt indicators. On a month by month basis, the movement can be seen in net debt only, as the borrowing programme (which drives gross sovereign issued debt) is set on an annual basis, and reviewed six monthly (at the time of the Economic and Fiscal Updates).

OPERATING BALANCE

The operating balance (page 14) was \$9.4 billion, which represents:

- \$43.0 billion of core Crown revenue (including tax revenue of \$38.4 billion and \$3.1 billion of investment income)
- \$3.5 billion net surpluses (after payment of dividend to the Government) of state-owned enterprises and Crown entities (excluding ACC liability revaluation movements); offset by
- \$25.4 billion of core Crown operating (including finance costs) and personnel expenses;
- \$11.2 billion of subsidies and transfer payments; and
- \$0.5 billion of valuation expense movements of GSF and ACC.

The **OBERAC** was \$6.1 billion, which was \$3.3 billion lower than the operating balance, reflecting the removal of Meridian Energy's gain on sale of Southern Hydro, net investment gains on the asset portfolios held by the NZS Fund, ACC, EQC and GSF and net foreign exchange gains by the Reserve Bank, Debt Management Office and NZS Fund.

NET WORTH

Net worth is the difference between assets and liabilities. Net worth is currently \$59.4 billion.

Net worth is affected by two sources: operating balance and revaluations. Revaluations tend to occur at year end and are not forecast as a matter of policy. Therefore the primary driver of variances in net worth during the financial year is the operating balance.

The major assets the Government invests in include:

- Financial assets (including student loans and marketable securities) of \$26.5 billion
- Government Superannuation Fund portfolio of \$4.1 billion
- New Zealand Superannuation Fund of \$9.2 billion
- Physical assets (including prisons and schools) of \$22.5 billion, including \$8.8 billion of revaluations
- Investment in state owned enterprises and Crown entities of \$24 billion, including asset portfolios in Accident Compensation Corporation and Earthquake Commission, physical assets including roading, hospitals, housing and liabilities including the ACC outstanding claims liability.²

The Government also has liabilities, primarily gross sovereign issued debt (\$36.0 billion), the pension liability of the Government Superannuation Fund (\$15.2 billion) and other liabilities of \$10.1 billion.

² A further breakdown of the nature of the assets and liabilities of State owned enterprises and Crown entities can be found in the statement of segments on pages 22 to 25.

COMPARISON WITH PRIOR YEAR

Table 2 – Comparison with prior year

	31 March 2006 Actual \$m	31 March 2005 Actual \$m	Change \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	38,364	35,713	2,651	7.4
Other revenue	4,648	3,519	1,129	32.1
Total core Crown Revenue	43,012	39,232	3,780	9.6
Core Crown expenses				
Social security and welfare	11,418	10,751	(667)	(6.2)
GSF pension expenses (excl valuation)	1,121	788	(333)	(42.3)
GSF unfunded liability movement	255	435	180	41.4
Health	7,049	6,371	(678)	(10.6)
Education	7,775	5,798	(1,977)	(34.1)
Core government services	1,498	1,382	(116)	(8.4)
Law and order	1,596	1,387	(209)	(15.1)
Defence	1,010	933	(77)	(8.3)
Transport and communications	1,274	986	(288)	(29.2)
Economic and industrial services	1,114	1,022	(92)	(9.0)
Primary services	305	270	(35)	(13.0)
Heritage, culture and recreation	937	504	(433)	(85.9)
Housing and community development	128	105	(23)	(21.9)
Other	40	20	(20)	(100.0)
Finance costs	1,780	1,712	(68)	(4.0)
Net foreign-exchange losses/(gains)	(472)	11	483	-
Total core Crown Expenses	36,828	32,475	(4,353)	(13.4)
ACC unfunded liability movement	(269)	(676)	(407)	(60.2)
Net surplus of SOE/CE's	3,476	1,871	1,605	85.8
Operating Balance	9,391	7,952	1,439	18.1
OBERAC	6,138	7,598	(1,460)	(19.2)
Cash flows from operating and investing	2,127	3,295	(1,168)	(35.4)
Debt indicators				
Gross sovereign-issued debt	35,997	34,123	(1,874)	(5.5)
Net core Crown debt	8,846	11,315	2,469	21.8

Taxation revenue was \$2.7 billion (growth of 7.4%) higher than the nine months ended 31 March 2005. This mainly comprised of growth in source deductions reflecting strength in the labour market, growth in companies tax driven by strong returns and growth in goods and services tax.

Other revenue was \$1.1 billion higher than the previous year, mainly due to higher investment income earned by the NZS Fund and GSF reflecting strong returns in the New Zealand and international equity markets.

Total core Crown expenses (excluding GSF unfunded liability movement) were \$4.5 billion (growth of 14.1%.) higher than the nine months ended 31 March 2005. Significant movements within core Crown functional expenses were:

- **Social security and welfare** expenses were \$0.7 billion higher than the previous year mainly due to the indexation of welfare benefits, partially offset by lower unemployment benefits due to the low unemployment rate;
- **Health** expenses were \$0.7 billion higher than the previous year mainly due to the increase in payments to District Health Boards, reflecting increased funding to maintain and improve existing services levels;
- **Education** expenses were \$2.0 billion higher than the previous year largely due to the fair value impact of the interest free student loan scheme (refer page 39 of the Half Year Update);
- **Transport and communications** expenses were \$0.3 billion higher than the previous year, largely due to higher spending on maintaining local roads, state highways, passenger transport and upgrade of rail network; and
- **Heritage, culture and recreation** expenses were \$0.4 billion higher than the previous year, largely due to the impact on the Kyoto liability of the removal of the carbon tax and changes to deforestation projections.

In addition all other core Crown functional expenses have increased due to policy initiatives from the 2004 and 2005 Budgets.

Net surplus of SOE/CE's were \$1.6 billion higher than the previous year, mainly due to the gain on sale of Southern Hydro by Meridian Energy and higher investment income.

Cash flow from operating and investing activities were \$1.2 billion lower than the previous year, mainly due to lower cashflow from operations, higher advances to District Health Boards, higher capital spending on purchase of physical assets and the purchase of Reserve Bank reserves.

Gross sovereign-issued debt (GSID) was \$1.9 billion higher than the previous year mainly due to the Reserve Bank raising the settlement cash level.

Net core Crown debt has reduced by \$2.5 billion mainly due to:

- accumulating cash flow from operating activity of \$8.4 billion; offset by
- purchase of physical assets of \$1.6 billion;
- purchase of investments (excluding RB reserves) of \$2.8 billion (\$2.3 billion in NZSF and \$0.5 billion in District Health Boards and Housing NZ Corporation); and
- student loan fair value write down of \$1.5 billion.

QUARTERLY SERIES OF KEY INDICATORS

	9 Months March 2006	6 months to December 2005	3 Months September 2005	12 Months June 2005	9 Months March 2005	6 months to December 2004	3 Months September 2004	12 Months June 2004	9 Months March 2004	6 months to December 2003	3 Months September 2003	12 Months June 2003	9 Months March 2003	6 months to December 2002	3 Months September 2002	12 Months June 2002
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Statement of Financial Performance																
Tax revenue	37,963	24,702	11,879	46,624	35,293	22,877	10,796	42,532	32,550	21,239	10,061	39,785	30,590	20,177	9,506	36,215
% of GDP	24.6%	16.0%	7.8%	30.9%	23.7%	15.5%	7.4%	29.9%	23.4%	15.6%	7.5%	30.2%	23.5%	15.6%	7.4%	28.8%
Other revenue	19,196	12,619	6,096	20,441	14,683	9,847	4,528	17,855	13,407	9,000	4,429	17,242	11,459	7,289	3,508	13,764
Total Revenue	57,159	37,321	17,975	67,065	49,976	32,724	15,324	60,387	45,957	30,239	14,490	57,027	42,049	27,466	13,014	49,979
% of GDP	37.1%	24.2%	11.8%	44.4%	33.5%	22.2%	10.8%	42.4%	33.1%	22.2%	10.8%	43.2%	32.3%	21.3%	10.2%	39.7%
Total Expenses	47,068	32,946	15,308	60,910	42,126	28,267	13,796	53,057	38,617	26,362	13,273	55,224	38,651	25,183	12,477	47,653
% of GDP	31.1%	21.4%	10.0%	40.4%	28.3%	19.2%	9.5%	37.3%	27.8%	19.3%	9.9%	41.9%	29.7%	19.5%	9.8%	37.8%
Net surplus of TEIs	100	66	-	133	102	69	38	139	59	39	20	151	60	50	36	78
Minority interest	-	-	-	(41)	-	-	-	(45)	-	-	-	12	-	-	-	(13)
Operating Balance	9,391	4,441	2,667	6,247	7,952	4,526	1,566	7,424	7,399	3,916	1,237	1,966	3,458	2,333	573	2,391
% of GDP	6.1%	2.9%	1.7%	4.1%	5.3%	3.1%	1.1%	5.2%	5.3%	2.9%	0.9%	1.5%	2.7%	1.8%	0.4%	1.9%
OBERAC	6,138	3,035	1,880	8,873	7,598	4,090	1,566	6,629	6,759	3,723	1,154	5,580	5,118	2,585	823	2,751
% of GDP	4.0%	2.0%	1.2%	5.9%	5.1%	2.8%	1.1%	4.7%	4.9%	2.7%	0.9%	4.2%	3.9%	2.0%	0.6%	2.2%
Core Crown Revenue																
Core Crown Revenue	43,012	28,107	13,724	52,065	39,232	25,779	11,897	46,932	35,896	23,389	11,027	43,624	33,039	21,777	10,112	39,907
Core Crown Expenses																
Social security and welfare	11,418	7,746	3,819	14,682	10,751	7,209	3,547	14,252	10,589	7,156	3,564	13,907	10,266	6,861	3,430	13,485
GSF pension expenses	1,376	1,083	366	2,442	1,224	966	288	660	418	122	322	2,625	1,967	1,010	252	1,409
Health	7,049	4,668	2,348	8,813	6,371	4,188	2,119	8,111	5,935	4,350	1,984	7,501	5,558	3,687	1,843	7,032
Education	7,775	5,604	2,076	7,930	5,798	3,977	1,984	7,585	5,430	3,764	1,876	7,016	5,214	3,401	1,705	6,473
Core government services	1,498	1,023	474	2,217	1,382	938	437	1,741	1,242	836	401	1,780	1,160	788	430	1,540
Other	6,404	4,264	1,916	7,911	5,227	3,516	1,692	7,000	4,798	3,171	1,507	6,442	4,366	2,849	1,354	5,838
Finance costs	1,780	1,188	578	2,274	1,712	1,142	564	2,252	1,706	1,115	564	2,360	1,620	1,094	526	2,118
Net foreign exchange losses/ (gains)	(472)	(47)	34	(35)	11	18	23	7	69	42	27	118	58	52	26	75
Total Core Crown Expenses	36,828	25,529	11,611	46,234	32,476	21,954	10,654	41,608	30,187	20,556	10,245	41,749	30,209	19,742	9,566	37,970
Core Crown Cash Flows																
operating	2,127	234	452	3,104	3,295	91	168	520	1,213	(1,235)	(2,597)	1,217	1,213	(561)	(632)	(111)
and investing activity																
Statement of Financial Position																
Property, plant and equipment	68,689	67,949	67,975	67,494	59,707	58,553	58,086	57,940	53,062	52,823	52,756	52,667	49,852	49,691	49,415	50,536
Financial assets	55,527	50,324	47,310	45,308	41,899	40,585	36,431	35,531	37,010	33,196	32,095	30,338	29,495	27,845	25,077	24,408
Other assets	18,417	19,202	18,067	18,029	18,425	19,374	17,620	17,201	17,259	17,419	17,050	16,846	15,866	16,561	14,808	13,116
Total Assets	142,633	137,475	133,352	130,831	120,031	118,512	112,137	110,672	107,331	103,438	101,901	99,851	95,213	94,097	89,300	88,060
Total debt	39,249	37,349	37,187	36,864	35,355	37,821	37,330	36,825	39,259	39,592	39,547	38,285	38,528	39,068	36,317	36,564
% of GDP	25.5%	24.2%	24.4%	24.4%	23.7%	25.6%	25.7%	25.9%	28.2%	29.1%	29.6%	29.0%	29.6%	30.3%	28.4%	29.0%
Other liabilities	44,018	45,700	43,512	43,984	40,659	40,700	37,754	38,384	36,953	36,247	37,397	37,785	34,411	33,919	33,657	32,676
Total Liabilities	83,267	83,049	80,699	80,848	76,014	78,521	75,084	75,209	76,212	75,839	76,944	76,070	72,939	72,987	69,974	69,240
Net Worth	59,366	54,426	52,653	49,983	44,017	39,991	37,053	35,463	31,119	27,599	24,957	23,781	22,274	21,110	19,326	18,820
% of GDP	38.5%	35.3%	34.5%	33.1%	29.5%	27.1%	25.8%	24.9%	22.4%	20.3%	18.7%	18.0%	17.1%	16.4%	15.1%	14.9%
Net Core Crown Debt	8,846	10,542	10,319	10,771	11,315	14,528	15,084	15,204	15,285	18,429	20,406	17,577	17,555	19,896	19,731	19,250
% of GDP	5.7%	6.8%	6.8%	7.1%	7.6%	9.9%	10.4%	10.7%	11.0%	13.5%	15.3%	13.3%	13.5%	15.4%	15.4%	15.3%
Gross Sovereign-Issued Debt	35,997	34,526	34,041	35,045	34,123	36,351	35,923	35,527	37,969	39,295	39,465	36,086	36,727	37,371	36,317	36,202
% of GDP	23.4%	22.4%	22.3%	23.2%	22.9%	24.7%	24.8%	25.0%	27.3%	28.8%	29.5%	27.4%	28.2%	29.0%	28.4%	28.8%
GDP¹	154,118	154,118	152,527	150,914	149,036	147,451	145,017	142,333	139,026	136,276	133,735	131,874	130,334	128,944	127,897	125,918

¹ Previous years' GDP figures have been restated where appropriate with updated data.



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

as at 31 March 2006

1 Reporting Entity

These Financial Statements are for the Crown reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Reserve Bank of New Zealand
- Government Superannuation Fund
- Crown entities
- Departments
- State-owned enterprises
- Air New Zealand Limited
- New Zealand Superannuation Fund

A schedule of entities included in the Crown reporting entity was set out on pages 98 and 99 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2005.

2 General Accounting Policies

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests and marketable securities, deposits & 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 and the policies have been applied consistently throughout the period.

3 Specific Accounting Policies

The specific accounting policies of the Crown were described on pages 41 to 48 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2005.

There has been a change in the accounting policy for student loans to better reflect their value under the new no-interest policy. Further information on the nature of the change is disclosed on page 39 of the Half Year Update and the impact of the change is reflected in note 9 on page 31.

4 Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the 2005 Half Year Economic and Fiscal Update (Half Year Update), on 19 December 2005.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions reproduced in full on Treasury's website www.treasury.govt.nz/forecasts/hyefu/2005/.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

as at 31 March 2006

5 Comparative Figures

Comparative figures for the previous financial year to 30 June 2005 and comparative year-to-date period are presented in these Financial Statements.

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

6 Outstanding Issues

While the fully consolidated Crown actuals and forecasts include the same reporting entities as previously, there are some issues still to be worked through. These issues may impact on the final form of the fully consolidated Crown forecasts and Crown Financial Statements.

The most significant issue is whether to combine tertiary education institution's (TEIs) in the Crown Financial Statements. The issue is not clear-cut. The Treasury, the Ministry of Education and TEIs are currently working through the issue, as outlined on page 59 of the 30 June 2005 Crown Financial Statements. The forecasts and actuals are continuing with the method of equity accounting TEIs.

STATEMENT OF FINANCIAL PERFORMANCE

for the nine months ended 31 March 2006

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Note	Current Year Actual vs Forecast			Annual Forecast	
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Revenue								
Levied through the Crown's Sovereign Power								
46,624	35,293	Taxation revenue	1	37,963	37,679	284	0.8	49,249
3,115	2,321	Levies, fees, fines and penalties	1	2,432	2,384	48	2.0	3,158
49,739	37,614	Total Revenue Levied through the Crown's Sovereign Power	1	40,395	40,063	332	0.8	52,407
Earned through the Crown's Operations								
11,331	8,037	Sales of goods and services	2	9,582	8,873	709	8.0	12,225
3,814	2,505	Investment income	3	5,324	2,922	2,402	82.2	3,293
2,181	1,820	Other revenue	4	1,858	1,862	(4)	(0.2)	1,850
17,326	12,362	Total Revenue Earned through the Crown's Operations		16,764	13,657	3,107	22.8	17,368
67,065	49,976	Total Crown Revenue		57,159	53,720	3,439	6.4	69,775
Expenses								
By input type								
15,844	11,697	Subsidies and transfer payments	5	12,425	12,561	136	1.1	17,077
13,562	9,945	Personnel expenses	6	11,233	11,247	14	0.1	14,656
25,314	17,318	Operating expenses	7	22,086	21,420	(666)	(3.1)	29,062
-	-	Forecast for future new spending		-	-	-	-	106
2,760	2,063	Finance costs		2,159	2,210	51	2.3	2,795
(17)	(8)	Net foreign-exchange (gains)/losses		(559)	(5)	554	-	4
1,410	435	Movement in total GSF liability	14	255	255	-	-	293
2,037	676	Movement in total ACC liability	15	269	269	-	-	358
60,910	42,126	Total Crown Expenses		47,868	47,957	89	0.2	64,351
6,155	7,850	Revenues less Expenses		9,291	5,763	3,528	6.2	5,424
133	102	Net surplus TEIs		100	99	1	1.0	133
6,288	7,952	Operating Balance (including minority interest)		9,391	5,862	3,529	60.2	5,557
(41)	-	Minority interest		-	-	-	-	-
6,247	7,952	Operating Balance		9,391	5,862	3,529	60.2	5,557

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

STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

for the nine months ended 31 March 2006

Below is an analysis of total Crown expenses and core Crown expenses by functional classification. This information reconciles to the segment information within the Statement of Segments.

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Note	Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
		By functional classification					
18,522	12,719		13,193	13,151	(42)	(0.3)	18,194
2,442	1,223		1,376	1,305	(71)	(5.4)	1,429
8,444	6,248		6,771	6,777	6	0.1	9,436
8,619	6,198		8,390	8,640	250	2.9	10,467
2,085	1,330		1,384	1,449	65	4.5	2,019
2,131	1,519		1,727	1,736	9	0.5	2,394
1,229	900		976	931	(45)	(4.8)	1,347
5,948	4,084		4,496	4,587	91	2.0	6,400
4,859	3,249		4,647	4,048	(599)	(14.8)	5,665
1,128	834		961	908	(53)	(5.8)	1,225
2,032	1,248		1,764	1,617	(147)	(9.1)	2,038
697	498		543	560	17	3.0	781
31	21		40	43	3	7.0	51
2,760	2,063		2,159	2,210	51	2.3	2,795
(17)	(8)		(559)	(5)	554	-	4
-	-		-	-	-	-	106
60,910	42,126		47,868	47,957	89	0.2	64,351
		Total Crown Expenses					
		Core Crown expenses					
		By functional classification					
14,682	10,751		11,418	11,448	30	0.3	15,850
2,442	1,223		1,376	1,305	(71)	(5.4)	1,430
8,813	6,371		7,049	7,187	138	1.9	9,839
7,930	5,798		7,775	7,925	150	1.9	10,033
2,217	1,382		1,498	1,570	72	4.6	2,182
1,977	1,387		1,596	1,607	11	0.7	2,193
1,275	933		1,010	973	(37)	(3.8)	1,377
1,635	986		1,274	1,260	(14)	(1.1)	1,893
1,444	1,022		1,114	1,231	117	9.5	1,711
394	270		305	320	15	4.7	473
991	504		937	809	(128)	(15.8)	1,042
163	105		128	146	18	12.3	218
32	20		40	44	4	9.1	51
2,274	1,712		1,780	1,800	20	1.1	2,250
(35)	11		(472)	18	490	-	17
-	-		-	-	-	-	106
46,234	32,475		36,828	37,643	815	2.2	50,665
		Total Core Crown Expenses					

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

STATEMENT OF CASH FLOWS

for the nine months ended 31 March 2006

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Cash Flows From Operations							
Cash was provided from							
46,867	34,674	Total tax receipts (refer Note 1)	36,990	36,868	122	0.3	49,152
2,974	2,364	Total other sovereign receipts (refer Note 1)	2,507	2,507	-	-	3,109
1,642	1,122	Interest	1,601	1,264	337	26.7	1,156
66	50	Dividends	61	78	(17)	(21.8)	105
11,517	8,054	Sales of goods and services	9,775	9,175	600	6.5	12,443
2,186	1,440	Other operating receipts	1,707	1,850	(143)	(7.7)	2,419
65,252	47,704	Total cash provided from operations	52,641	51,742	899	1.7	68,384
Cash was disbursed to							
15,717	11,534	Subsidies and transfer payments	12,356	12,500	144	1.2	17,334
35,052	25,422	Personnel and operating payments	28,963	28,398	(565)	(2.0)	38,175
2,294	1,591	Finance costs	1,828	1,668	(160)	(9.6)	2,209
-	-	Forecast for future new spending	-	-	-	-	106
53,063	38,547	Total cash disbursed to operations	43,147	42,566	(581)	(1.4)	57,824
12,189	9,157	Net Cash Flows From Operations	9,494	9,176	318	3.5	10,560
Cash Flows From Investing Activities							
Cash was provided from							
316	162	Sale of physical assets	1,792	198	1,594	-	310
316	162	Total cash provided from investing activities	1,792	198	1,594	-	310
Cash was disbursed to							
4,862	3,291	Purchase of physical assets	4,161	4,945	784	15.9	7,159
1,061	801	Net increase in advances	1,496	1,492	(4)	(0.3)	1,947
6,677	4,982	Net purchase/(sale) of marketable securities, deposits & equity investments	5,436	3,141	(2,295)	(73.1)	3,604
-	-	Capital contingency provision	-	-	-	-	65
12,600	9,074	Total cash disbursed to investing activities	11,093	9,578	(1,515)	(15.8)	12,775
(12,284)	(8,912)	Net Cash Flows From Investing Activities	(9,301)	(9,380)	79	0.8	(12,465)
(95)	245	Net Cash Flows From Operating and Investing Activities	193	(204)	397	194.6	(1,905)
Cash Flows From Financing Activities							
Cash was Provided From							
188	348	Issues of circulating currency	232	18	214	-	18
1,913	(1,389)	Net issues/(repayment) of Government stock ¹	(967)	(865)	(102)	(11.8)	(184)
2,101	(1,041)	Total cash provided from financing activities	(735)	(847)	112	13.2	(166)
Cash was Disbursed to							
829	601	Net repayment/(issues) of other New Zealand- dollar borrowing	(2,226)	(1,469)	757	51.5	(402)
951	(1,333)	Net (issues)/repayment of foreign-currency borrowing	794	115	(679)	-	(752)
1,780	(732)	Total cash disbursed to financing activities	(1,432)	(1,354)	78	5.8	(1,154)
321	(309)	Net Cash Flows From Financing Activities	697	507	190	37.5	988
226	(64)	Net Movement in Cash	890	303	587	193.7	(917)
3,450	3,450	Opening Cash Balance	3,710	3,710	-	-	3,710
34	71	Foreign-exchange (losses)/gains on opening cash	43	(4)	47	-	-
3,710	3,457	Closing Cash Balance	4,643	4,009	634	15.8	2,793

¹ Net issues of Government stock include movements within government stock holdings of entities such as NZS Fund, GSF, ACC and EQC. The Bonds reconciliation at the end of these accounts outlines NZDMO issues.

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the nine months ended 31 March 2006

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
12,189	9,157	Net Cash Flows from Operations	9,494	9,176	318	3	10,560
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Valuation changes					
(1,410)	(434)	(Increase)/decrease in pension liabilities	(255)	(256)	1	0	(293)
(2,037)	(676)	(Increase)/decrease in ACC liabilities	(269)	(269)	-	-	(358)
(53)	-	National Provident Fund guarantee	-	-	-	-	-
(23)	-	Revaluation of commercial forests	-	-	-	-	-
4	146	Unrealised net foreign-exchange (losses)/gains	49	(63)	112	178	(59)
1,020	656	Other valuation changes	1,519	343	1,176	343	455
(2,499)	(308)	Total valuation changes	1,044	(245)	1,289	-	(255)
		Property, plant & equipment asset movements					
(2,528)	(1,841)	Depreciation	(1,976)	(2,025)	49	2.4	(2,779)
-	-	Gain/(loss) on sale of Southern Hydro	630	-	630	-	-
(2)	-	Gain/(loss) on sale of physical assets	-	-	-	-	-
(2,530)	(1,841)	Total property, plant & equipment movements	(1,346)	(2,025)	679	33.5	(2,779)
		Other Non-cash Items					
(188)	49	Student loans	(1,530)	(1,481)	(49)	(3.3)	(1,704)
(97)	(69)	Amortisation of goodwill	(67)	(67)	-	-	(89)
-	-	Accrued income from NZS Fund	981	309	672	217.5	506
133	102	Other	100	99	1	1.0	133
(152)	82	Total Other Non-cash Items	(516)	(1,140)	624	54.7	(1,154)
		Movements in Working Capital					
(202)	672	Increase/(decrease) in taxes receivable	611	1,032	(421)	(40.8)	2
498	512	(Decrease)/increase in other receivables	(149)	(488)	339	69.5	(707)
58	63	Increase/(decrease) in inventories	16	68	(52)	(76.5)	90
(1,115)	(385)	Decrease/(increase) in payables	237	(516)	753	145.9	(200)
(761)	862	Total movements in working capital	715	96	619	-	(815)
6,247	7,952	Operating Balance	9,391	5,862	3,529	60.2	5,557

STATEMENT OF MOVEMENTS IN EQUITY

for the nine months ended 31 March 2006

35,463	35,463	Opening Crown Balance	49,984	49,984	-	-	49,983
6,247	7,952	Operating balance for the period	9,391	5,862	3,529	60.2	5,557
41	-	Minority interest in operating balance	-	-	-	-	-
35	-	Increase in minority interest	-	-	-	-	-
8,197	602	Net revaluations	(9)	7	(16)	(228.6)	15
14,520	8,554	Total Recognised Revenues and Expenses	9,382	5,869	3,513	59.9	5,572
49,983	44,017	Closing Crown Balance	59,366	55,853	3,513	6.3	55,555

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2006

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	\$m
Assets								
3,710	3,457	Cash and bank balances	8	4,643	4,009	634	15.8	2,793
		Marketable securities, deposits & equity investments	8	42,533	34,234	8,299	24.2	35,322
33,062	29,840	Advances	9	8,351	8,338	13	0.2	8,563
8,536	8,602	Receivables	10	11,345	11,426	(81)	(0.7)	10,178
10,883	11,771	Inventories		962	1,014	(52)	(5.1)	1,036
946	951	Other investments	11	231	236	(5)	(2.1)	258
221	211	Property, plant & equipment	12	68,689	70,343	(1,654)	(2.4)	71,770
67,494	59,707	Commercial forests		5,110	5,110	-	-	232
232	4,482	Investment in TEIs		233	232	1	0.4	5,185
5,010	250	Intangible assets		536	657	(121)	(18.4)	630
737	760	Forecast for new capital		-	-	-	-	65
-	-							
130,831	120,031	Total Assets		142,633	135,599	7,034	5.2	136,032
Liabilities								
14,451	13,302	Payables and provisions	13	13,720	14,025	305	2.2	14,221
3,197	3,357	Currency issued		3,429	3,215	(214)	(6.7)	3,215
		Borrowings - sovereign guaranteed		30,218	26,445	(3,773)	(14.3)	26,653
28,645	27,917	Borrowings - non-sovereign guaranteed		9,031	9,202	171	1.9	9,401
8,219	7,438	GSF Pension liability	14	15,206	15,206	-	-	15,245
14,952	13,977	ACC liability	15	11,663	11,653	(10)	(0.1)	11,742
11,384	10,023							
80,848	76,014	Total Liabilities		83,267	79,746	(3,521)	(4.4)	80,477
Total Assets less Total Liabilities								
49,983	44,017			59,366	55,853	3,513	6.3	55,555
Net Worth								
21,780	23,458	Taxpayer funds		31,191	27,643	3,548	12.8	27,552
27,988	20,420	Revaluation reserve	16	27,960	27,995	(35)	(0.1)	28,003
215	139	Minority interest		215	215	-	-	-
49,983	44,017	Net Worth		59,366	55,853	3,513	6.3	55,555

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 March 2006

Following is an analysis of the NZS Fund and Gross and Net Debt information. The notes to the accounts provide breakdown of other key items.

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	

New Zealand Superannuation Fund

Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown, for example the NZS Fund may hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock.

3,956	3,956	Opening balance	6,555	6,555	-	-	6,555
2,107	1,540	Gross contribution	1,708	1,708	-	-	2,337
492	313	Income after tax	981	309	672	217.5	506
6,555	5,809	NZS Fund balance	9,244	8,572	672	7.8	9,398

Gross and Net Debt information

Definitions of debt:

Total Crown gross debt is the total borrowings (both sovereign-guaranteed and non-sovereign guaranteed) of the total Crown. This equates to the amount in the total Crown balance sheet and represents the complete picture of whole-of-Crown debt obligations to external parties.

The balance sheet splits total Crown debt into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that debt held by SOEs and Crown entities is not explicitly guaranteed by the Crown. Any such debt that may be guaranteed is included in the sovereign-guaranteed total. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

Gross sovereign-issued debt is debt issued by the sovereign (i.e., core Crown) and includes Government stock held by the NZS Fund, GSF, ACC or EQC for example. In other words, the total sovereign-issued debt does not eliminate any internal cross-holdings held by these entities. The Government's debt objective uses this measure of debt.

		Total Crown Debt					
36,864	35,355	Total Crown gross debt	39,249	35,647	3,602	10.1	36,054
35,045	34,123	Gross sovereign-issued debt	35,997	32,447	3,550	10.9	33,275
		Core Crown Debt					
35,045	34,123	Gross sovereign-issued debt	35,997	32,447	3,550	10.9	33,275
(33,078)	(31,328)	Financial assets	(39,662)	(33,768)	(5,894)	(17.5)	(34,351)
1,967	2,795		(3,665)	(1,321)	(2,344)	(177.4)	(1,076)
8,804	8,520	NZS Fund and GSF financial assets	12,511	11,071	1,440	13.0	11,673
10,771	11,315	Net Core Crown Debt	8,846	9,750	(904)	(9.3)	10,597

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

STATEMENT OF BORROWINGS

as at 31 March 2006

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Sovereign-Guaranteed Debt							
New Zealand-Dollar Debt							
16,058	15,556	Government stock	15,974	15,586	(388)	(2.5)	15,894
5,245	5,354	Treasury bills	5,135	5,323	188	3.5	5,240
(6,123)	(503)	Loans and foreign-exchange contracts	(9,118)	870	9,988	-	538
583	602	Retail stock	546	556	10	1.8	600
15,763	21,009	Total New Zealand-Dollar Debt	12,537	22,335	9,798	43.9	22,272
Foreign-Currency Debt							
7,906	2,833	United States dollars	8,145	2,174	(5,971)	(274.7)	2,474
252	416	Japanese yen	475	(415)	(890)	(214.5)	(415)
4,724	3,659	European and other currencies	9,061	2,351	(6,710)	(285.4)	2,322
12,882	6,908	Total Foreign-Currency Debt	17,681	4,110	(13,571)	(330.2)	4,381
28,645	27,917	Total Sovereign-Guaranteed Debt	30,218	26,445	(3,773)	(14.3)	26,653
Non-Sovereign-Guaranteed Debt							
5,601	5,030	New Zealand dollars	6,584	6,573	(11)	(0.2)	6,500
1,541	1,617	United States dollars	2,186	1,846	(340)	(18.4)	1,978
324	184	Japanese yen	139	-	(139)	-	-
753	607	European and other currencies	122	783	661	84.4	923
8,219	7,438	Total Non-Sovereign Debt	9,031	9,202	171	1.9	9,401
36,864	35,355	Total Borrowings (Gross Debt)	39,249	35,647	(3,602)	(10.1)	36,054
Less							
Financial Assets (including restricted assets)							
Marketable Securities, Deposits and Equity Investments							
6,487	10,879	New Zealand dollars	6,573	14,689	(8,116)	(55.3)	14,564
9,733	3,918	United States dollars	10,231	4,061	6,170	151.9	4,505
789	687	Japanese yen	684	20	664	-	90
4,455	3,256	European and other currencies	8,892	1,777	7,115	400.4	2,108
702	794	Reserve position at IMF	436	494	(58)	(11.7)	495
2,385	2,187	NZ equity investments	2,828	2,625	203	7.7	3,136
8,511	8,119	Foreign equity investments	12,889	10,568	2,321	22.0	10,424
33,062	29,840	Total Marketable Securities	42,533	34,234	8,299	24.2	35,322
		Deposits & Equity Investments					
Advances and Cash							
6,465	6,640	Student loans	5,490	5,500	(10)	(0.2)	5,540
2,071	1,962	Other advances	2,861	2,838	23	0.8	3,023
3,710	3,457	Cash	4,643	4,009	634	15.8	2,793
12,246	12,059	Total Advances and Cash	12,994	12,347	647	5.2	11,356
45,308	41,899	Total Financial Assets	55,527	46,581	8,946	19.2	46,678
(8,444)	(6,544)	Borrowings less Financial Assets	(16,278)	(10,934)	5,344	48.9	(10,624)
(13)	601	Net New Zealand-dollar debt	(3,719)	(1,262)	2,457	194.7	(1,133)
(8,431)	(7,145)	Net foreign-currency debt	(12,559)	(9,672)	2,887	29.8	(9,491)
(8,444)	(6,544)	Borrowings less Financial Assets	(16,278)	(10,934)	5,344	48.9	(10,624)

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

STATEMENT OF COMMITMENTS

as at 31 March 2006

	As at 31 March 2006 \$m	As at 30 June 2005 \$m	As at 31 March 2005 \$m
Capital Commitments			
Specialist military equipment	626	825	887
Land and buildings	1,309	1,440	1,813
Other property, plant and equipment	2,870	2,432	870
Other capital commitments	230	69	104
TEIs	125	125	60
Total Capital Commitments	5,160	4,891	3,734
Operating Commitments			
Non-cancellable accommodation leases	2,166	1,972	1,458
Other non-cancellable leases	2,395	2,606	2,337
Non-cancellable contracts for the supply of goods and services	4,011	1,721	5,755
Other operating commitments	2,808	4,054	2,541
TEIs	1,052	1,052	325
Total Operating Commitments	12,432	11,405	12,416
Total Commitments	17,592	16,296	16,150
Total Commitments by Institutional Segment			
Core Crown	7,408	2,627	7,338
Crown entities	6,719	10,061	6,634
State-owned enterprises	3,465	3,608	2,178
Total Commitments	17,592	16,296	16,150

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 March 2006

	As at 31 March 2006 \$m	As at 30 June 2005 \$m	As at 31 March 2005 \$m
Quantifiable Contingent Liabilities			
Guarantees and Indemnities	151	149	166
Uncalled Capital	2,558	2,233	2,218
Legal Proceedings and Disputes	652	586	727
Other Contingent Liabilities	1,946	1,502	1,458
Total Quantifiable Contingent Liabilities	5,307	4,470	4,569
Total Quantifiable Contingent Liabilities by Institutional Segment			
Core Crown	5,177	4,330	4,298
Crown entities	15	36	11
State-owned enterprises	115	104	260
Total Quantifiable Contingent Liabilities	5,307	4,470	4,569
Quantifiable Contingent Assets			
Core Crown - Education and Transport	111	107	121
Total Quantifiable Contingent Assets	111	107	121

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

STATEMENT OF SEGMENTS

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form) for the nine months ended 31 March 2006 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast			
	Core Crown		Crown entities	
	Actual March 2005/06 \$m	Forecast March 2005/06 \$m	Actual March 2005/06 \$m	Forecast March 2005/06 \$m
Revenue				
Taxation revenue	38,364	38,054	-	-
Other sovereign levied income	495	517	1,977	1,905
Sales of goods and services	566	563	1,316	1,324
Investment income	3,078	2,291	1,806	846
Other revenues	509	556	13,757	13,825
Total revenue	43,012	41,981	18,856	17,900
Expenses by input type				
Subsidies and transfer payments	11,168	11,277	1,257	1,284
Personnel expenses	4,300	4,281	5,581	5,568
Operating expenses	19,797	20,012	9,407	9,475
Finance costs	1,780	1,800	221	228
FX losses/(gains)	(472)	18	(99)	-
GSF and ACC liability revaluation movts	255	255	269	269
Total expenses	36,828	37,643	16,636	16,824
Expenses by functional classification				
Social security and welfare	11,418	11,448	2,094	2,108
Health	7,049	7,187	5,918	5,899
Education	7,775	7,925	4,924	4,989
Other functional classifications	9,278	9,265	3,578	3,600
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	1,308	1,818	122	228
Total expenses	36,828	37,643	16,636	16,824
Net surplus of TEs	-	-	100	99
Minority interest	-	-	-	-
Operating balance	6,184	4,338	2,320	1,175

Statement of Financial Position (institutional form) as at 31 March 2006 (actual to forecast)

(\$ million)	Core Crown		Crown entities	
	Actual March 2005/06 \$m	Forecast March 2005/06 \$m	Actual March 2005/06 \$m	Forecast March 2005/06 \$m
	Assets			
Financial assets	39,663	34,040	17,088	16,085
Physical assets	22,549	22,570	32,795	33,047
Investment in SOEs & CE (including TEIs)	23,978	23,922	5,110	5,110
Other assets	9,577	9,646	1,879	2,255
Total assets	95,767	90,178	56,872	56,497
Liabilities				
Borrowings	34,885	31,320	3,919	4,246
Other liabilities	26,406	25,528	15,797	16,084
Total liabilities	61,291	56,848	19,716	20,330
Net worth	34,476	33,330	37,156	36,167
Taxpayer funds	25,688	24,526	21,634	20,631
Revaluation reserves	8,788	8,804	15,522	15,536
Minority interest	-	-	-	-
Net worth	34,476	33,330	37,156	36,167
Analysis of financial assets and borrowings				
Advances and cash	8,503	9,304	2,165	2,037
MSDs and equity investments	31,160	24,736	14,923	14,048
Total financial assets	39,663	34,040	17,088	16,085
Borrowings - Sovereign guaranteed	34,885	31,320	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,919	4,246
Total borrowings	34,885	31,320	3,919	4,246
Borrowings less financial assets	(4,778)	(2,720)	(13,169)	(11,839)
Net Crown debt	8,846	9,750	Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.	
Gross sovereign-issued debt	35,997	32,447		

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form) for the nine months ended 31 March 2006 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	March	March	March	March	March	March
	2005/06	2005/06	2005/06	2005/06	2005/06	2005/06
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Taxation revenue	-	-	(401)	(375)	37,963	37,679
Other sovereign levied income	-	-	(40)	(38)	2,432	2,384
Sales of goods and services	8,018	7,362	(318)	(376)	9,582	8,873
Investment income	957	191	(517)	(406)	5,324	2,922
Other revenues	616	678	(13,024)	(13,197)	1,858	1,862
Total revenue	9,591	8,231	(14,300)	(14,392)	57,159	53,720
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	12,425	12,561
Personnel expenses	1,356	1,401	(4)	(3)	11,233	11,247
Operating expenses	6,661	5,916	(13,779)	(13,983)	22,086	21,420
Finance costs	391	313	(233)	(131)	2,159	2,210
FX losses/(gains)	12	(23)	-	-	(559)	(5)
GSF and ACC liability revaluation movts	-	-	-	-	524	524
Total expenses	8,420	7,607	(14,016)	(14,117)	47,868	47,957
Expenses by functional classification						
Social security and welfare	-	-	(319)	(405)	13,193	13,151
Health	-	-	(6,196)	(6,309)	6,771	6,777
Education	11	11	(4,320)	(4,285)	8,390	8,640
Other functional classifications	8,007	7,307	(2,949)	(2,988)	17,914	17,184
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	402	289	(232)	(130)	1,600	2,205
Total expenses	8,420	7,607	(14,016)	(14,117)	47,868	47,957
Net surplus of TEIs	-	-	-	-	100	99
Minority interest	-	-	-	-	-	-
Operating balance	1,171	624	(284)	(275)	9,391	5,862

Statement of Financial Position (institutional form) as at 31 March 2006 (actual to forecast)

(\$ million)	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	March	March	March	March	March	March
	2005/06	2005/06	2005/06	2005/06	2005/06	2005/06
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Financial assets	5,853	3,859	(7,077)	(7,403)	55,527	46,581
Physical assets	13,345	14,726	-	-	68,689	70,343
Investment in SOEs & CE (including TEIs)	-	-	(28,855)	(28,800)	233	232
Other assets	2,443	2,260	4,285	4,282	18,184	18,443
Total assets	21,641	20,845	(31,647)	(31,921)	142,633	135,599
Liabilities						
Borrowings	7,522	7,484	(7,077)	(7,403)	39,249	35,647
Other liabilities	3,106	2,957	(1,291)	(470)	44,018	44,099
Total liabilities	10,628	10,441	(8,368)	(7,873)	83,267	79,746
Net worth	11,013	10,404	(23,279)	(24,048)	59,366	55,853
Taxpayer funds	7,148	6,534	(23,279)	(24,048)	31,191	27,643
Revaluation reserves	3,650	3,655	-	-	27,960	27,995
Minority interest	215	215	-	-	215	215
Net worth	11,013	10,404	(23,279)	(24,048)	59,366	55,853
Analysis of financial assets and borrowings						
Advances and cash	4,649	3,412	(2,323)	(2,406)	12,994	12,347
MSDs and equity investments	1,204	447	(4,754)	(4,997)	42,533	34,234
Total financial assets	5,853	3,859	(7,077)	(7,403)	55,527	46,581
Borrowings - Sovereign guaranteed	-	-	(4,667)	(4,875)	30,218	26,445
Borrowings - Non-sovereign guaranteed	7,522	7,484	(2,410)	(2,528)	9,031	9,202
Total borrowings	7,522	7,484	(7,077)	(7,403)	39,249	35,647
Borrowings less financial assets	1,669	3,625	-	-	(16,278)	(10,934)

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2006 (compared to actual 30 June 2005)

(\$ million)	Prior Year Actual vs Current Year Forecast			
	Core Crown		Crown entities	
	Actual 2005 \$m	Forecast 2006 \$m	Actual 2005 \$m	Forecast 2006 \$m
Revenue				
Taxation revenue	47,118	49,705	-	-
Other sovereign levied income	647	661	2,561	2,546
Sales of goods and services	790	769	1,706	1,766
Investment income	2,811	2,471	1,297	1,106
Other revenues	699	722	17,247	18,421
Total revenue	52,065	54,328	22,811	23,839
Expenses by input type				
Subsidies and transfer payments	14,295	15,362	1,549	1,715
Personnel expenses	4,738	5,373	7,075	7,426
Operating expenses	23,553	27,370	12,033	12,746
Finance costs	2,273	2,250	288	305
FX losses/(gains)	(35)	17	63	10
GSF and ACC liability movements	1,410	293	2,037	358
Total expenses	46,234	50,665	23,045	22,560
Expenses by functional classification				
Social security and welfare	14,682	15,850	4,274	2,786
Health	8,813	9,839	7,478	7,932
Education	7,930	10,033	6,161	6,586
Other functional classifications	12,570	12,570	4,781	4,941
Forecast for future new spending	-	106	-	-
Finance costs and FX losses/(gains)	2,239	2,267	351	315
Total expenses	46,234	50,665	23,045	22,560
Net surplus of TEIs	-	-	133	133
Minority interest	-	-	-	-
Operating balance	5,831	3,663	(101)	1,412

Forecast Statement of Financial Position (institutional form) as at 30 June 2006 (compared to actual 30 June 2005)

(\$ million)	Core Crown		Crown entities	
	Actual 2005 \$m	Forecast 2006 \$m	Actual 2005 \$m	Forecast 2006 \$m
	Assets			
Financial assets	33,078	34,351	15,637	16,282
Physical assets	21,987	22,804	32,252	33,760
Investment in SOEs & CE (including TEIs)	23,823	24,399	5,010	5,185
Other assets	8,637	8,255	2,533	2,007
Total assets	87,525	89,809	55,432	57,234
Liabilities				
Borrowings	33,777	31,978	3,867	4,071
Other liabilities	25,442	25,850	16,745	16,368
Total liabilities	59,219	57,828	20,612	20,439
Net worth	28,306	31,981	34,820	36,795
Taxpayer Funds	19,504	23,169	19,288	21,259
Revaluation reserves	8,802	8,812	15,532	15,536
Minority interest	-	-	-	-
Net worth	28,306	31,981	34,820	36,795
Analysis of financial assets and borrowings				
Advances and cash	9,373	8,255	2,098	2,037
MSDs and equity investments	23,705	26,096	13,539	14,245
Total financial assets	33,078	34,351	15,637	16,282
Borrowings - Sovereign guaranteed	33,777	31,978	-	-
Borrowings - Non-sovereign guaranteed	-	-	3,867	4,071
Total borrowings	33,777	31,978	3,867	4,071
Borrowings less financial assets	699	(2,373)	(11,770)	(12,211)
Net Crown debt	10,771	10,597		
Gross sovereign-issued debt	35,045	33,275		

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

STATEMENT OF SEGMENTS (CONTINUED)

Financial Performance and Financial Position by institutional form

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2006 (compared to actual 30 June 2005)

(\$ million)	Prior Year Actual vs Current Year Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2005 \$m	Forecast 2006 \$m	Actual 2005 \$m	Forecast 2006 \$m	Actual 2005 \$m	Forecast 2006 \$m
Revenue						
Taxation revenue	-	-	(494)	(456)	46,624	49,249
Other sovereign levied income	-	-	(93)	(49)	3,115	3,158
Sales of goods and services	9,275	10,134	(440)	(444)	11,331	12,225
Investment income	332	252	(626)	(536)	3,814	3,293
Other revenues	658	901	(16,423)	(18,194)	2,181	1,850
Total revenue	10,265	11,287	(18,076)	(19,679)	67,065	69,775
Expenses by input type						
Subsidies and transfer payments	-	-	-	-	15,844	17,077
Personnel expenses	1,755	1,862	(6)	(5)	13,562	14,656
Operating expenses	7,180	8,192	(17,452)	(19,140)	25,314	29,168
Finance costs	376	413	(177)	(173)	2,760	2,795
FX losses/(gains)	(45)	(23)	-	-	(17)	4
GSF and ACC liability revaluation movts	-	-	-	-	3,447	651
Total expenses	9,266	10,444	(17,635)	(19,318)	60,910	64,351
Expenses by functional classification						
Social security and welfare	-	-	(434)	(442)	18,522	18,194
Health	-	-	(7,847)	(8,335)	8,444	9,436
Education	13	15	(5,485)	(6,167)	8,619	10,467
Other functional classifications	8,922	10,039	(3,691)	(4,201)	22,582	23,349
Forecast for future new spending	-	-	-	-	-	106
Finance costs and FX losses/(gains)	331	390	(178)	(173)	2,743	2,799
Total expenses	9,266	10,444	(17,635)	(19,318)	60,910	64,351
Net surplus of TEIs	-	-	-	-	133	133
Minority interest	(41)	-	-	-	(41)	-
Operating balance	958	843	(441)	(361)	6,247	5,557

Forecast Statement of Financial Position (institutional form) as at 30 June 2006 (compared to actual 30 June 2005)

(\$ million)	State-owned enterprises		Inter-segment elimins		Total Crown	
	Actual 2005 \$m	Forecast 2006 \$m	Actual 2005 \$m	Forecast 2006 \$m	Actual 2005 \$m	Forecast 2006 \$m
	Assets					
Financial assets	3,990	3,948	(7,397)	(7,903)	45,308	46,678
Physical assets	13,255	15,206	-	-	67,494	71,770
Investment in SOEs & CE (including TEIs)	-	-	(23,823)	(24,399)	5,010	5,185
Other assets	2,431	2,654	(582)	(517)	13,019	12,399
Total assets	19,676	21,808	(31,802)	(32,819)	130,831	136,032
Liabilities						
Borrowings	6,617	7,908	(7,397)	(7,903)	36,864	36,054
Other liabilities	2,979	3,269	(1,182)	(1,064)	43,984	44,423
Total liabilities	9,596	11,177	(8,579)	(8,967)	80,848	80,477
Net worth	10,080	10,631	(23,223)	(23,852)	49,983	55,555
Taxpayer Funds	6,211	6,976	(23,223)	(23,852)	21,780	27,552
Revaluation reserves	3,654	3,655	-	-	27,988	28,003
Minority interest	215	-	-	-	215	-
Net worth	10,080	10,631	(23,223)	(23,852)	49,983	55,555
Analysis of financial assets and borrowings						
Advances and cash	2,902	3,530	(2,127)	(2,466)	12,246	11,356
MSDs and equity investments	1,088	418	(5,270)	(5,437)	33,062	35,322
Total financial assets	3,990	3,948	(7,397)	(7,903)	45,308	46,678
Borrowings - Sovereign guaranteed	-	-	(5,132)	(5,325)	28,645	26,653
Borrowings - Non-sovereign guaranteed	6,617	7,908	(2,265)	(2,578)	8,219	9,401
Total borrowings	6,617	7,908	(7,397)	(7,903)	36,864	36,054
Borrowings less financial assets	2,627	3,960	-	-	(8,444)	(10,624)

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 1: Revenue Collected Through the Crown's Sovereign Power							
Income Tax Revenue (accrual)							
Individuals							
18,324	13,504	Source deductions	14,705	14,523	182	1.3	19,567
4,103	3,614	Other persons	3,813	3,740	73	2.0	4,221
(876)	(599)	Refunds	(671)	(695)	24	3.5	(974)
441	335	Fringe benefit tax	357	359	(2)	(0.6)	458
21,992	16,854	Total Individuals	18,204	17,927	277	1.5	23,272
Corporate Tax							
7,537	5,771	Gross companies tax	6,493	6,588	(95)	(1.4)	8,202
(232)	(104)	Refunds	(103)	(110)	7	6	(200)
927	685	Non-resident withholding tax	735	651	84	12.9	917
188	110	Foreign-source dividend w/holding payments	141	141	-	-	222
8,420	6,462	Total Corporate Tax	7,266	7,270	(4)	(0.1)	9,141
Other Income Tax							
1,501	1,048	Resident w/holding tax on interest income	1,332	1,271	61	4.8	1,745
59	46	Resident w/holding tax on dividend income	60	54	6	11.1	67
2	2	Estate and gift duties	2	2	-	-	2
1,562	1,096	Total Other Income Tax	1,394	1,327	67	5.0	1,814
31,974	24,412	Total Income Tax	26,864	26,524	340	1.3	34,227
Goods and Services Tax							
17,378	12,879	Gross goods and services tax	13,115	13,186	(71)	(0.5)	18,037
(7,180)	(5,305)	Refunds	(5,484)	(5,484)	-	-	(7,696)
10,198	7,574	Total Goods and Services Tax	7,631	7,702	(71)	(0.9)	10,341
Other Taxation							
823	601	Petroleum fuels excise	660	659	1	0.2	906
842	631	Tobacco excise	654	646	8	1.2	856
947	687	Customs duty	737	718	19	2.6	1,041
713	537	Road user charges	553	578	(25)	(4.3)	752
491	374	Alcohol excise	391	381	10	2.6	500
281	215	Gaming duties	194	197	(3)	(1.5)	268
217	162	Motor vehicle fees	166	168	(2)	(1.2)	224
73	54	Energy resources levies	53	46	7	15.2	70
65	46	Approved issuer levy and cheque duty	60	60	-	-	64
4,452	3,307	Total Other Indirect Taxation	3,468	3,453	15	0.4	4,681
14,650	10,881	Total Indirect Taxation	11,099	11,155	(56)	(0.5)	15,022
46,624	35,293	Total Tax Revenue Collected	37,963	37,679	284	0.8	49,249
Other Sovereign Revenues (accrual)							
2,119	1,530	ACC levies	1,622	1,560	62	4.0	2,089
249	191	Fire Service levies	192	189	3	1.6	250
80	60	EQC levies	62	61	1	1.6	81
667	540	Other miscellaneous items	556	574	(18)	(3.1)	738
3,115	2,321	Total Other Sovereign Revenues	2,432	2,384	48	2.0	3,158
49,739	37,614	Total Sovereign Revenue	40,395	40,063	332	0.8	52,407

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 1: Receipts Collected Through the Crown's Sovereign Power							
Income Tax Receipts (cash)							
Individuals							
18,380	13,516	Source deductions	14,697	14,525	172	1.2	19,524
4,640	3,515	Other persons	3,696	3,695	1	-	4,896
(1,365)	(992)	Refunds	(1,095)	(1,168)	73	6.3	(1,636)
432	317	Fringe benefit tax	330	329	1	0.3	448
22,087	16,356	Total Individuals	17,628	17,381	247	1.4	23,232
Corporate Tax							
8,365	6,392	Gross companies tax	6,577	6,900	(323)	(4.7)	8,790
(735)	(505)	Refunds	(504)	(542)	38	7	(790)
949	750	Non-resident withholding tax	807	695	112	16.1	910
185	150	Foreign-source dividend w/holding payments	174	164	10	6.1	213
8,764	6,787	Total Corporate Tax	7,054	7,217	(163)	(2.3)	9,123
Other Income Tax							
1,498	1,051	Resident w/holding tax on interest income	1,332	1,260	72	5.7	1,746
60	49	Resident w/holding tax on dividend income	60	55	5	9.1	67
2	1	Estate and gift duties	2	1	1	100.0	2
1,560	1,101	Total Other Income Tax	1,394	1,316	78	5.9	1,815
32,411	24,244	Total Income Tax	26,076	25,914	162	0.6	34,170
Goods and Services Tax							
16,729	12,118	Gross goods and services tax	12,829	12,871	(42)	(0.3)	17,498
(6,719)	(4,965)	Refunds	(5,385)	(5,385)	-	-	(7,200)
10,010	7,153	Total Goods and Services Tax	7,444	7,486	(42)	(0.6)	10,298
Other Taxation							
812	590	Petroleum fuels excise	659	679	(20)	(2.9)	904
838	628	Tobacco excise	653	643	10	1.6	857
968	708	Customs duty	771	721	50	6.9	1,041
714	538	Road user charges	553	578	(25)	(4.3)	747
483	357	Alcohol excise	382	371	11	3.0	500
287	212	Gaming duties	203	205	(2)	(1.0)	273
205	143	Motor vehicle fees	139	168	(29)	(17.3)	229
73	55	Energy resources levies	53	46	7	15.2	67
66	46	Approved issuer levy and cheque duty	57	57	-	-	66
4,446	3,277	Total Other Indirect Taxation	3,470	3,468	2	0.1	4,684
14,456	10,430	Total Indirect Taxation	10,914	10,954	(40)	(0.4)	14,982
46,867	34,674	Total Tax Receipts Collected	36,990	36,868	122	0.3	49,152
Other Sovereign Receipts (cash)							
2,052	1,675	ACC levies	1,781	1,755	26	1.5	2,201
249	191	Fire Service levies	192	189	3	1.6	250
81	61	EQC levies	62	63	(1)	(1.6)	82
592	437	Other miscellaneous items	472	500	(28)	(5.6)	576
2,974	2,364	Total Other Sovereign Receipts	2,507	2,507	-	-	3,109
49,841	37,038	Total Sovereign Receipts	39,497	39,375	122	0.3	52,261

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance \$m	%	\$m

NOTE 2: Sale of Goods and Services

The Statement of Institutional Segments shows the sale of goods and services as a total for each area of the Crown Estate (ie, total sales for core Crown, Crown entities and SOEs). The total for Crown entities includes such items as lottery sales, housing rental, CRI sales and so on. The total sales of SOEs represents the majority of their income from electricity generation and distribution services, postal services, advertising, air travel sales and so on.

NOTE 3: Investment Income

Investment Income

2,264	1,096	Interest income	1,501	1,274	227	17.8	1,674
498	364	Student loans	337	329	8	2.4	289
646	430	NZS Fund income	1,366	445	921	207.0	641
87	47	Dividends	59	75	(16)	(21.3)	104
		Gains/(losses) on marketable securities					
221	558	deposits and equity investments	1,419	731	688	94.1	569
-	-	Gain on sale of Southern Hydro	630	-	630	-	-
98	10	Other	12	68	(56)	(82.4)	16
3,814	2,505	Total Investment Income	5,324	2,922	2,402	82.2	3,293

NOTE 4: Other Revenue

		Unrealised gains arising from changes					
(23)	-	in the value of commercial forests	-	-	-	-	-
102	78	GSF contributions	82	82	-	-	93
51	41	Petroleum royalties	35	44	(9)	(20.5)	61
30	22	Cost recovery income from fisheries	23	22	1	4.5	30
2,021	1,679	Other	1,718	1,714	4	0.2	1,666
2,181	1,820	Total Other Operational Revenue	1,858	1,862	(4)	(0.2)	1,850

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 5: Subsidies and Transfer Payments							
Social Assistance Grants							
6,083	4,520	New Zealand superannuation	4,761	4,761	-	-	6,431
1,549	1,122	ACC payments	1,258	1,284	26	2.0	1,715
1,547	653	Domestic purposes benefit	548	565	17	3.0	1,485
831	1,175	Unemployment benefit	1,118	1,116	(2)	(0.2)	720
846	541	Family support	857	865	8	0.9	1,369
359	248	Student allowances	236	261	25	9.6	350
4,182	3,111	Other social assistance grants	3,297	3,299	2	0.1	4,487
118	88	Subsidies	74	108	34	31.5	140
Other Transfer Payments							
297	211	Official development assistance	249	271	22	8.1	345
32	28	Other	27	31	4	12.9	35
15,844	11,697	Total Subsidies and Transfer Payments	12,425	12,561	136	1.1	17,077

NOTE 6: Personnel Expenses

The Statement of Institutional Segments shows the personnel expenses as a total for each area of the Crown Estate (ie, total personnel expenses for core Crown, Crown entities and SOEs).

1,032	789	GSF pension costs	1,121	1,049	(72)	(6.9)	1,137
108	80	Other pension expenses	106	75	(31)	(41.3)	126
12,422	9,076	Other personnel expenses	10,006	10,123	117	1.2	13,393
13,562	9,945	Total Personnel Expenses	11,233	11,247	14	0.1	14,656

NOTE 7: Operating Expenses

Operating expenses relate to those expenses incurred in the course of undertaking the functions and activities of every entity included in the Crown financial statements, excluding those separately identified in the Statement of Financial Performance and other notes. Items disclosed separately are those required by accounting standards (and are expanded on further in the annual Crown financial statements). These include depreciation, rental costs and goodwill amortised.

Other operating costs is the large residual. Most of it represents the payment made for services provided by third parties (roading maintenance for example) or for raw materials (fuel, medicines or inventory for example). It also includes other day-to-day operating costs.

Depreciation expenses:							
793	594	Buildings	646	647	1	0.2	887
106	78	Electricity distribution networks	81	79	(2)	(2.5)	109
166	117	Electricity generation assets	152	156	4	2.6	209
189	139	Specialist military equipment (SME)	140	140	-	-	189
225	175	State highways	171	173	2	1.2	230
101	133	Aircraft (excluding SME)	144	148	4	2.7	209
850	565	Other plant and equipment	601	639	38	5.9	889
98	40	Other assets	41	43	2	4.7	57
2,528	1,841	Total depreciation costs	1,976	2,025	49	2.4	2,779
Other operating expenses:							
789	530	Rental and leasing costs	581	568	(13)	(2.3)	754
984	240	Change in provision for doubtful debts	289	282	(7)	(2.5)	327
93	57	Write off of bad debts	51	58	7	12.1	57
97	69	Goodwill amortised	67	67	-	-	89
1,267	252	Grants paid	640	747	107	14.3	1,099
350	255	Lottery prize payments	290	269	(21)	(7.8)	357
2	-	Loss/(gain) on sale of assets	-	-	-	-	-
-	-	Write down of existing student loans to fair value	1,479	1,479	-	-	1,479
-	-	Write down of new loans to fair value	193	207	14	6.8	284
19,204	14,074	Other operating expenses	16,520	15,817	(703)	(4.4)	21,837
25,314	17,318	Total Operating Expenses	22,086	21,519	(567)	(2.6)	29,062

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance \$m	%	\$m

NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments

By category:

3,710	3,457	Total cash	4,643	4,009	634	15.8	2,793
21,464	18,741	Marketable securities and deposits	26,381	20,547	5,834	28.4	21,267
10,896	10,305	Equity investments (eg, shares)	15,716	13,193	2,523	19.1	13,560
702	794	Reserve position at the IMF	436	494	(58)	(11.7)	495
33,062	29,840	Total MSDs and Equity Investments	42,533	34,234	8,299	24.2	35,322
36,772	33,297	Cash and MSDs & Equity Investments	47,176	38,243	8,933	23.4	38,115

By portfolio management:

14,776	13,373	Reserve Bank and DMO managed funds	19,124	13,665	5,459	39.9	14,425
5,571	5,055	NZS Fund	8,210	7,889	321	4.1	8,458
3,233	3,275	Government Superannuation Fund	3,822	3,182	640	20.1	3,215
5,987	5,171	ACC portfolio	7,467	6,736	731	10.9	6,299
1,675	1,554	EQC portfolio	2,103	1,652	451	27.3	1,818
1,820	1,412	Other holdings	1,807	1,110	697	62.8	1,107
33,062	29,840	Total MSDs & Equity Investments	42,533	34,234	8,299	24.2	35,322

The asset values above are net of any cross-holdings. For example the asset portfolios of the GSF, EQC and ACC currently all hold amounts of NZ Government Stock. For financial reporting purposes these amounts are eliminated within the consolidated financial statements. The total portfolios are shown below, along with commentary on the restricted nature of some of the assets (for example the GSF assets are only available for the payment of GSF benefits – because of the restricted nature of these assets they are excluded from the definition of net debt).

Nature of financial assets – some are restricted in their purpose

Within the financial assets above, several portfolios are restricted in their nature in that they are only available to meet very specified purposes and are not available (by statute or other reasons) for general use by the Crown. It is for this reason that such assets are excluded from the definition of net debt – one of the Crown's key fiscal policy indicators.

New Zealand Superannuation Fund

The assets of the NZS Fund is the Government's means of building up assets to partially pre-fund future NZS expenses and may only be used for NZ Superannuation. The net assets in this fund total \$9.2 billion. The Government's contributions to the NZS Fund are calculated over a 40-year rolling horizon to ensure Superannuation entitlements over the next 40 years can be met.

Government Superannuation Fund

The GSF Authority administers the financial assets of the GSF totalling over \$4.0 billion. These assets result from contributions by beneficiaries built up through time and can only be applied to the ongoing payment of GSF benefits (as provided by the GSF Act). Also refer Note 14 Outstanding Liability associated with GSF benefits.

EQC – Natural Disaster Fund (NDF)

The EQC is New Zealand's primary provider of seismic disaster insurance to residential property owners. EQC administers the NDF, comprising capital and reserves. EQC draws on the NDF money to pay out claims for damage caused by natural disasters.

ACC portfolio

The ACC manages the ACC scheme. At present there is a substantial outstanding claims liability associated with past claims of around \$11.7 billion. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 15 Outstanding Claims Liability.

Individual portfolio information (including cross holdings of NZ Government Stock, excluding cash holdings)

6,555	5,730	NZS Fund	9,072	8,663	409	4.7	9,398
3,521	3,435	GSF net assets (including portfolio)	4,073	3,536	537	15.2	3,595
8,123	8,100	ACC portfolio	8,864	8,432	432	5.1	8,547
4,557	4,453	EQC portfolio	5,198	4,772	426	8.9	4,850

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 9: Advances							
6,465	6,640	Student loans (see analysis below) ¹	5,490	5,500	(10)	(0.2)	5,540
1,575	1,400	Kiwibank mortgages	2,337	2,315	22	1.0	2,456
77	75	Residential care loans	72	80	(8)	(10.0)	82
51	49	Maori development rural lending	73	56	17	30.4	57
368	438	Other	379	387	(8)	(2.1)	428
8,536	8,602	Total Advances	8,351	8,338	13	0.2	8,563

¹ The annual forecast for student loans reflects the change in accounting policy which requires student loans to be initially recorded at fair value and subsequently reported at amortised cost (refer page 39 of the Half Year Update for further information). Prior year comparatives have not been restated for the change.

Analysis of Student Loans

Stock

-	-	Nominal loan balance	8,231	8,231	-	-	8,293
-	-	Adjustment to fair value	(2,741)	(2,731)	(10)	(0.4)	(2,753)
-	-	Total Student Loans	5,490	5,500	(10)	(0.2)	5,540

Movements

-	-	Opening balance	6,465	6,465	-	-	6,465
<i>Movements to 31 October</i>							
-	-	New lending	241	241	-	-	241
-	-	Movements in Doubtful Debt Provision	(51)	(51)	-	-	(51)
-	-	Repayments	(184)	(184)	-	-	(184)
-	-	Net interest charged	181	181	-	-	181
-	-	31 October balance	6,652	6,652	-	-	6,652
-	-	Fair value adjustment on 31 October balance	(1,479)	(1,479)	-	-	(1,479)
-	-	New lending since 31 October	581	623	(42)	(6.7)	857
-	-	Fair value write down for new lending	(193)	(207)	14	6.8	(284)
-	-	Repayments since 31 October	(213)	(237)	24	10.1	(394)
-	-	Net Interest charged since 31 October	84	59	25	42.4	107
-	-	Impairments since 31 October	(14)	-	(14)	-	(15)
-	-	Residual fair value change	72	89	(17)	(19.1)	96
-	-	Closing Balance	5,490	5,500	(10)	(0.2)	5,540

NOTE 10: Receivables

5,641	6,515	Taxes receivable	6,252	6,673	(421)	(6.3)	5,643
4,610	4,460	Accounts receivable	4,597	4,297	300	7.0	4,242
121	128	Receivable from the sale and purchase of Maui gas	77	81	(4)	(4.9)	79
511	668	Prepayments	419	375	44	11.7	214
10,883	11,771	Total Receivables	11,345	11,426	(81)	(0.7)	10,178

NOTE 11: Other Investments

74	72	International Bank for Reconstruction and Developments	76	74	2	2.7	74
79	78	Asian Development Bank	81	79	2	2.5	79
68	61	Other	74	83	(9)	(10.8)	105
221	211	Total Other Investments	231	236	(5)	(2.1)	258

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 12: Property, Plant and Equipment							
By Type							
Gross Carrying Value							
11,693	9,797	Land (valuation)	11,536	11,808	(272)	(2.3)	11,803
470	439	Properties intended for sale (valuation)	448	437	11	2.5	440
19,457	18,510	Buildings (valuation)	20,621	20,958	(337)	(1.6)	21,492
2,123	2,103	Electricity distribution network (cost)	2,241	2,307	(66)	(2.9)	2,389
7,260	6,047	Electricity generation assets (valuation)	6,936	7,862	(926)	(11.8)	8,224
1,139	1,425	Aircraft (ex SME) (valuation)	1,826	1,951	(125)	(6.4)	1,867
14,909	13,475	State highways (valuation)	15,665	15,694	(29)	(0.2)	19,026
3,032	2,998	Specialist military equipment (valuation)	3,360	3,480	(120)	(3.4)	3,616
8,987	8,741	Other plant and equipment (cost)	9,182	9,361	(179)	(1.9)	9,269
6,751	5,497	Other assets (valuation)	6,973	6,930	43	0.6	6,876
75,821	69,032	Total Gross Carrying Value	78,788	80,788	(2,000)	(2.5)	85,002
Accumulated Depreciation							
1,324	1,968	Buildings	1,961	2,424	463	19.1	2,176
187	168	Electricity distribution network	254	265	11	4.2	292
169	507	Electricity generation assets	272	305	33	10.8	370
-	133	Aircraft (ex SME)	144	148	4	2.7	-
-	175	State highways	396	398	2	0.5	3,583
621	608	Specialist military equipment	749	760	11	1.4	808
5,595	5,395	Other plant and equipment	5,876	5,729	(147)	(2.6)	5,633
431	370	Other assets	446	416	(30)	(7.2)	370
8,327	9,324	Total Accumulated Depreciation	10,098	10,445	347	3.3	13,232
Net Carrying Value							
11,693	9,797	Land (valuation)	11,536	11,808	(272)	(2.3)	11,803
470	439	Properties intended for sale (valuation)	448	437	11	2.5	440
18,133	16,542	Buildings (valuation)	18,660	18,534	126	0.7	19,316
1,936	1,935	Electricity distribution network (cost)	1,987	2,042	(55)	(2.7)	2,097
7,091	5,540	Electricity generation assets (valuation)	6,664	7,557	(893)	(11.8)	7,854
1,139	1,292	Aircraft (ex SME) (valuation)	1,682	1,803	(121)	(6.7)	1,867
14,909	13,300	State highways (valuation)	15,269	15,296	(27)	(0.2)	15,443
2,411	2,390	Specialist military equipment (valuation)	2,611	2,720	(109)	(4.0)	2,808
3,392	3,346	Other plant and equipment (cost)	3,306	3,632	(326)	(9.0)	3,636
6,320	5,126	Other assets (valuation)	6,526	6,514	12	0.2	6,506
67,494	59,707	Total Net Carrying Value	68,689	70,343	(1,654)	(2.4)	71,770
By holding							
66,282	59,305	Freehold assets	67,672	69,288	(1,616)	(2.3)	70,754
1,212	402	Leasehold assets	1,017	1,055	(38)	(3.6)	1,016
67,494	59,707	Total Net Carrying Value	68,689	70,343	(1,654)	(2.4)	71,770
NOTE 13: Payables and Provisions							
8,593	8,343	Accounts payable and accruals	7,849	7,985	136	1.7	8,103
2,778	2,299	Taxes repayable	2,519	2,778	259	9.3	2,742
466	470	Provisions	441	550	109	19.8	668
310	-	Kyoto liability	627	440	(187)	(42.5)	440
944	891	National Provident Fund guarantee	944	944	-	-	944
1,360	1,299	Provision for employee entitlements	1,340	1,328	(12)	(0.9)	1,324
14,451	13,302	Total Payables and Provisions	13,720	14,025	305	2.2	14,221

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: GSF Liability

Calculation information

The Government Superannuation Fund (GSF) assets and liabilities have been calculated by the Government Actuary as at 31 October 2005 for inclusion within the 2005 Half Year Economic and Fiscal Update (2005 Half Year Update). The GSF liability arises from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A Projected Aggregate Funding Method, based on balance-date membership data, is used for the valuation. This method requires the benefits payable from the GSF in respect of past service to be estimated and then discounted back to the valuation date.

The GSF liability included in the 2005 Half Year Update was calculated using discount rates derived from the market yield curve as at the balance date (31 October 2005). This resulted in a long-term after-tax discount rate of 3.9% (3.8% at 30 June 2005). The principal long-term financial assumptions used in the calculation were an inflation rate of 2.25%, and an annual salary increases rate, before any promotional effects, of 3.0%.

Presentation and forecast approach

The projected GSF gross liability is included within total liabilities. The GSF has available to it a portfolio of assets that partially offset the GSF gross liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet.

Regular revaluations occur as part of Crown forecasting processes for the Half Year and Budget Economic and Fiscal Updates. Within the monthly Crown financial statements the projected GSF liability will be assumed to be static. The asset position is based on forecasts of contributions, investment returns (based on an expected long-run average rate of return) and benefit payments.

The assets of the GSF scheme will fluctuate during the year due to changes in the market value of its investments, particularly the equity investments. These movements will be reflected in the monthly accounts as part of investment income (movements in asset values) and will likely differ from the monthly forecasts. Movements in the value of the assets will also reflect differences in contribution income and benefit payments.

Volatility in monthly results

The forecasts assume a constant long-term rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
GSF liability and asset information							
GSF liability							
13,542	13,542	Opening GSF liability	14,951	14,951	-	-	14,952
1,410	435	Net projected change	255	255	-	-	293
14,952	13,977	Closing GSF liability	15,206	15,206	-	-	15,245
Less net assets available to the GSF scheme							
3,375	3,375	Opening net asset value	3,521	3,521	-	-	3,521
279	162	Net projected change:	421	152	269	177.0	204
(133)	(102)	- Investment valuation changes	(88)	(157)	69	43.9	(130)
146	60	- Contributions and other income less membership payments	333	(5)	338	-	74
3,521	3,435	Closing net asset value	3,854	3,516	338	9.6	3,595
Net unfunded liability of the GSF schemes							
10,167	10,167	Opening unfunded liability	11,430	11,430	-	-	11,431
1,264	375	Net projected change	(78)	261	339	129.9	219
11,431	10,542	Net unfunded liability	11,352	11,691	339	2.9	11,650

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: ACC Claims Liability

Calculation information

PricewaterhouseCoopers Actuarial Pty Ltd have prepared the independent actuarial estimate of the ACC claims liability as at 30 June 2005 (which has been used as the basis for the forecast information). This estimate includes the expected future payments relating to accidents that occurred prior to valuation date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of managing these claims.

Key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI) of 2.3% (unchanged from 30 June 2005) and discount rate of 5.98% (5.75% at 30 June 2005). The other key variable in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

Presentation approach

The projected gross liability is included within total liabilities. The ACC has available to it a portfolio of assets that partially offset the gross liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet.

Within the monthly Crown financial statements, the projected liability is presumed to move from the opening position to the projected closing position evenly each month. This is reflected in the actual monthly accounts and is updated as part of regular valuations performed for Crown forecast purposes. The assets held by ACC may fluctuate due to changes in asset values, particularly the equity markets. These movements will also be reflected in the monthly accounts as part of investment income (movements in asset values).

Volatility in monthly results

The forecasts presume a rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
ACC liability and asset information							
Gross ACC liability							
9,347	9,347	Opening gross liability	11,384	11,384	-	-	11,384
2,037	676	Net projected change	269	269	-	-	358
-	-	Transfer from other insurer	10	-	(10)	-	-
11,384	10,023	Closing gross liability	11,663	11,653	10	0.1	11,742
Less net assets available to ACC							
5,969	5,969	Opening net asset value	7,217	7,217	-	-	7,217
1,248	851	Net projected change	1,374	687	687	100.0	545
7,217	6,820	Closing net asset values	8,591	7,904	687	8.7	7,762
Net ACC reserves (net liability)							
(3,378)	(3,378)	Opening reserves position	(4,167)	(4,167)	-	-	(4,167)
(789)	175	Net projected change	1,095	418	(677)	(162.0)	545
(4,167)	(3,203)	Closing reserves position (net liability)	(3,072)	(3,749)	(677)	(18.1)	(3,622)

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual
			Actual	Forecast	Variance		Forecast
			\$m	\$m	\$m	%	\$m
NOTE 16: Revaluation Reserves							
<i>Movement in Asset Revaluation Reserves</i>							
19,838	19,838	Opening Balance	27,988	27,988	-	-	27,988
		Net Revaluations					
3,368	2	Land and buildings	(9)	1	(10)	-	11
1,417	-	State highways	-	-	-	-	-
341	-	TEIs	-	-	-	-	-
1,986	600	Electricity generation assets	-	-	-	-	-
1,085	-	Other assets	-	6	(6)	(100.0)	4
8,197	602	Total Net Revaluations	(9)	7	(16)	(228.6)	15
(47)	(20)	Transfers to taxpayer funds	(19)	-	(19)	-	-
27,988	20,420	Closing Asset Revaluation Reserve	27,960	27,995	(35)	(0.1)	28,003

NOTES TO THE FINANCIAL STATEMENTS

Prior Year 30 June 2005 \$m	Actual 31 March 2005 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds							
This statement outlines the Core Crown Bonds reconciliation. Government stock balances and flows between the NZDMO, NZS Fund and the GSF are not eliminated. This presents the complete activity of the NZDMO bond programme.							
Core Crown Cash Flows from Operations							
47,571	35,115	Total tax receipts	37,575	37,283	292	0.8	49,873
478	359	Total other sovereign receipts	389	390	(1)	(0.3)	474
1,446	1,171	Interest, profits and dividends	1,119	707	412	58.3	880
1,272	908	Sale of goods & services and other receipts	943	1,045	(102)	(9.8)	1,385
(14,409)	(10,561)	Subsidies and transfer payments	(11,116)	(11,221)	105	0.9	(15,619)
(25,815)	(18,859)	Personnel and operating costs	(20,986)	(20,645)	(341)	(1.7)	(28,102)
(1,983)	(1,402)	Finance costs	(1,373)	(1,348)	(25)	(1.9)	(1,930)
-	-	Forecasts for future new spending	-	-	-	-	(106)
8,560	6,731	Net Cash Flows From Operations	6,551	6,211	340	5.5	6,855
Investing flows							
<i>Net advances</i>							
(659)	(595)	Student loans	(606)	(573)	(33)	(5.8)	(778)
(42)	(28)	Housing New Zealand Corporation	(32)	(65)	33	50.8	(65)
41	42	District health boards and RHMU	(107)	(229)	122	53.3	(251)
-	-	Tranz Rail New Zealand Limited	-	-	-	-	-
(15)	(15)	NZ Railways Corporation	(56)	(30)	(26)	(86.7)	-
47	33	Other	65	131	(66)	(50.4)	46
(628)	(563)	Total Net Advances	(736)	(766)	30	3.9	(1,048)
(1,372)	(1,033)	Net purchase of physical assets	(1,270)	(1,320)	50	3.8	(1,876)
<i>Net investments</i>							
(193)	(32)	District health boards	(10)	(79)	69	87.3	(152)
(76)	(109)	Housing New Zealand Corporation	(168)	(198)	30	15.2	(307)
(150)	(150)	Air NZ	-	-	-	-	-
(164)	(9)	Other	(67)	23	(90)	(391.3)	(78)
(2,107)	(1,540)	Net purchase of MSDs/equities by NZS Fund	(1,708)	(1,708)	-	-	(2,337)
(766)	-	Purchase of Reserve Bank reserves	(465)	(200)	(265)	(132.5)	(500)
-	-	Forecast new capital spending	-	-	-	-	(65)
(3,456)	(1,840)	Net (purchase)/sale of Investments	(2,418)	(2,162)	(256)	(11.8)	(3,439)
3,104	3,295	(Required to be financed)/Available for debt repayment	2,127	1,963	164	8.4	492
<i>Used in:</i>							
(3,119)	(2,702)	Other net (purchase)/sale of marketable securities and deposits	(2,674)	(191)	(2,483)	-	(161)
(15)	593	Total Investing activities	(547)	1,772	(2,319)	(130.9)	331
(1,455)	(1,048)	Net (repayment)/issue of other New Zealand-dollar borrowing	1,088	156	932	-	(536)
1,905	1,309	Net (repayment)/issue of foreign currency borrowing	(608)	(513)	(95)	(18.5)	(238)
(93)	(42)	Net outflows/(inflow) of cash	444	(603)	1,047	173.6	325
188	348	Issues of circulating currency	232	18	214	-	18
545	567		1,156	(942)	2,098	222.7	(431)
530	1,160	Net Repayment of/(Cash Proceeds from) Domestic Bonds	609	830	(221)	(26.6)	(100)
Gross Cash Proceeds from Domestic Bonds							
2,146	1,541	Domestic bonds (market)	2,340	1,733	607	35.0	2,663
459	434	Domestic bonds (non-market)	-	386	(386)	(100.0)	386
2,605	1,975	Total Gross Cash Proceeds from Domestic Bonds	2,340	2,119	221	10.4	3,049
(2,797)	(2,797)	Repayment of domestic bonds (market)	(2,574)	(2,574)	-	-	(2,574)
(338)	(338)	Repayment of domestic bonds (non-market)	(375)	(375)	-	-	(375)
(530)	(1,160)	Net (Repayments of)/Cash Proceeds from Domestic Bonds	(609)	(830)	221	26.6	100

NOTES TO THE FINANCIAL STATEMENTS

Maturity profile as at 31 March 2006

This statement outlines the maturity of Gross sovereign issued debt within the following periods:

	< 1 year \$m	1 - 2 years \$m	2 - 5 years \$m	5 - 10 years \$m	> 10 years \$m	Total \$m
New Zealand-Dollar Debt						
Government stock	3,182	-	5,666	11,440	1,370	21,658
Treasury bills	5,230	-	-	-	-	5,230
Loans and foreign-exchange contracts	(6,245)	(171)	(384)	(1,404)	(914)	(9,118)
Retail stock	477	42	27	-	-	546
Total New Zealand-Dollar Debt	2,644	(129)	5,309	10,036	456	18,316
Foreign-Currency Debt						
United States dollars	6,003	(94)	61	1,423	751	8,144
Japanese yen	404	1	(52)	122	-	475
European and other currencies	5,834	643	1,215	906	464	9,062
Total Foreign-Currency Debt	12,241	550	1,224	2,451	1,215	17,681
Total Gross Sovereign-Issued Debt	14,885	421	6,533	12,487	1,671	35,997