

Financial Statements of the Government of New Zealand

For the Six Months Ended
31 December 2011



Prepared by the Treasury
20 February 2012

This document is available on the New Zealand Treasury's internet site.
The URL for this site is <http://www.treasury.govt.nz>

New Zealand Government



This report is printed on paper that is manufactured from 100% recycled post consumer waste in a Process Chlorine Free (PCF) process independently certified by the Forest Stewardship Council (FSC). The mill operates under the ISO14001 environmental management system.

CONTENTS

Commentary

Summary	2
Analysis	4
Year-on-Year Perspective	10

Financial Statements

Statement of Accounting Policies	14
<i>The statement outlines the summary accounting policies underpinning the preparation of the financial statements of the Government. It refers readers to the Treasury website where the accounting policies are set out in full.</i>	
Statement of Financial Performance	16
<i>The statement outlines the operating results of the total Government (ie, the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), SOEs (including Air New Zealand), and Crown entities). Expense by functional class is also shown for total Crown and core Crown.</i>	
Statement of Comprehensive Income	17
<i>The statement reports changes in net worth due to the operating balance, items of income or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Analysis of Expenses by Functional Classification	18
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Cash Flows	19
<i>The statement sets out the cash flows that result from the operating, investing and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Changes in Net Worth	21
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Financial Position	22
<i>The statement outlines the balance sheet of the total Government (ie, the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Borrowings	23
<i>The statement outlines total borrowings (split by sovereign-guaranteed debt and non sovereign-guaranteed debt), including the calculation of the core Crown debt indicators.</i>	
Statement of Commitments	24
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	24
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	25
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	

Officer for Enquiries

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



COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance over the six months ended 31 December 2011 and its financial position as at that date.

The December results are reported against forecasts based on the *2011 Pre-election Economic and Fiscal Update (PREFU)*, published on 25 October 2011.

At a Glance

Table 1 – Key indicators for the six months ended 31 December 2011 compared to *PREFU*

\$ million	Year to date				Full Year
	December	December	Variance to PREFU \$m	Variance to PREFU %	June
	2011 Actual ¹	2011 PREFU Forecast ¹			2012 PREFU Forecast ²
Core Crown					
Core Crown tax revenue	26,399	26,799	(400)	(1.5)	55,451
Core Crown revenue	28,629	29,372	(743)	(2.5)	61,165
Core Crown expenses	34,087	34,974	887	2.5	74,460
Core Crown residual cash	(10,574)	(10,398)	(176)	(1.7)	(13,636)
Gross debt ³	72,374	73,926	1,553	2.1	79,779
<i>as a percentage of GDP</i>	35.6%	36.4%			37.7%
Net debt ⁴	50,134	50,633	499	1.0	53,823
<i>as a percentage of GDP</i>	24.7%	24.9%			25.4%
Total Crown					
Operating balance before gains and losses	(4,085)	(4,082)	(3)	(0.1)	(10,809)
Operating balance	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)
Net worth	71,516	73,935	(2,419)	(3.3)	68,282

1 Using GDP for the year ended 30 September 2011 of \$203,340 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2012 of \$211,773 million (Source: Treasury)

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

4 Net core Crown debt excluding student loans and other advances

Core Crown includes Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank of New Zealand but excludes State-owned enterprises and Crown entities.

Results for the six months ended 31 December 2011

For the first six months of the financial year the **operating balance before gains and losses (OBEGAL)** deficit was \$4.085 billion, which was \$3 million (0.1%) higher than forecast.

Core Crown revenue was \$743 million lower than forecast, with tax revenue \$400 million (1.5%) less than anticipated. The main tax variances were:

- source deductions \$296 million (2.8%) below forecast
- GST revenue \$234 million (3.3%) below forecast; partially offset by
- customs and excise duties \$108 million (5.1%) above forecast.

The source deductions and GST revenue variances were mainly timing-related and a large proportion of these are expected to reverse; however it is possible that some of the GST recoveries may extend into next year.

Corporate tax revenue was very close to forecast. However, data on provisional tax assessments received during the month of December, together with slightly weaker-than-expected growth in GDP in the September quarter, indicates that corporate profits may be weaker for the full financial year to 30 June 2012 relative to *PREFU* forecasts. The Treasury has revised its full year tax revenue forecast downwards in the *2012 Budget Policy Statement*.

In addition, revenue from child support penalties was around \$255 million lower than forecast, due to a revision of penalties charged. However, this adjustment also had an offsetting impact on expenditure, with the level of uncollectable penalties also being less than forecast.

Core Crown expenses were \$887 million lower than expected, offsetting the lower-than-forecast core Crown revenue result. The main components were:

- as mentioned above, costs associated with child support penalties were lower than forecast (by \$268 million)
- a reduction in the carbon price meant costs associated with the ETS were \$178 million below forecast (with a similar impact on ETS-related revenue), and
- Treaty settlements were \$118 million lower than forecast because progress was slower than anticipated.

The expense variances recorded were largely offset by corresponding revenue impacts, or were anticipated when the *PREFU* forecasts were prepared, suggesting they will not have a significant impact on OBEGAL (compared to forecast) by year end.

Including gains and losses, the **operating balance** deficit at \$9.470 billion was \$2.598 billion (37.8%) higher than forecast. This was mainly due to actuarial losses on the Government Superannuation Fund (\$1.039 billion) and ACC's outstanding claims liability (\$753 million), as well as higher than forecast investment losses (\$779 million).

Gross debt at \$72.374 billion (35.6% of GDP) was \$1.553 billion lower than forecast mainly due to collateral deposits which were \$1.258 billion lower than expected at balance date. As these deposits also have a corresponding impact on the Crown's financial asset holdings, they do not affect net debt.

Net debt was \$499 million (1.0%) lower than forecast at \$50.134 billion (24.7% of GDP), with currency in circulation being higher than expected over the holiday period. This gap is expected to close after the holiday period finishes.

The underlying **residual cash** deficit was close to forecast with capital expense delays offsetting weakness in tax receipts.

Further analysis of the December results follows.

ANALYSIS

Table 2 – Key indicator variances for the six months ended 31 December 2011 compared to *PREFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	-\$743 million (lower than forecast)	<p>Core Crown tax revenue was \$400m or 1.5% lower than forecast. The main components of this variance were:</p> <ul style="list-style-type: none"> • Source deductions were \$296m (2.8%) below forecast. The forecast assumed that the pattern of wage and salary growth would be similar to last year's, with a relatively high proportion of PAYE revenue being recognised in the first half of the year. However, the actual pattern has been smoother than expected, and we now expect PAYE revenue to be more evenly spread through the current year than originally forecast. Therefore, the current variance in source deduction revenue is expected to narrow before the end of the year because a dip in PAYE revenue had been forecast in <i>PREFU</i> in the second half of the year. • GST revenue was \$234m (3.3%) below forecast. Earthquake-related GST refunds to insurance companies were approximately double the amount forecast and they account for most of this variance. While inflation was weaker than expected in the December quarter, it appears this may have been countered by higher volumes of transactions, suggesting consumption and residential investment are fairly well on track. However, it is expected that the higher refunds mentioned above will result in a lower net GST result than forecast at year end, with recoveries extending into next year as the rebuild gets underway. • Corporate tax revenue was just \$6m (0.2%) higher than forecast, but that was mostly the result of two offsetting factors: <ul style="list-style-type: none"> • Provisional tax assessments to November were strong, which is consistent with some publicly-announced significant profit increases through this period; however • December's assessments were below forecast which is a pattern that is now expected to persist to the end of the year, therefore resulting in lower tax revenue than was originally forecast in <i>PREFU</i>. <p>Partially offset by:</p> <ul style="list-style-type: none"> • Customs and Excise duties were \$108m above forecast, with fuel and tobacco duties both being approximately \$50m over forecast. These could be related to the Rugby World Cup as there were more visitors in the country than expected, and greater-than-anticipated stockpiling of tobacco products ahead of the 1 January 2012 excise rate increase. <p>In addition to the tax revenue result, other core Crown revenue was also under forecast, by \$343m. This was primarily due to a review of child support penalties by IRD which led to the reversal of \$255m in penalties. The reduction in penalty revenue was matched by a corresponding reduction in the impairment of child support debt (an expense).</p>

¹ Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

Item/indicator	Variance ¹	Key drivers
Core Crown expenses	\$887 million (lower than forecast)	<p>Core Crown expenses were 2.5% lower than forecast. The majority of the difference related to the following items:</p> <ul style="list-style-type: none"> • The impairment of child support debt was \$268m lower than forecast. However, when offset against the reversal in core Crown revenue, the impact was largely fiscally neutral (see above). • The cost of units allocated under the Emissions Trading Scheme (ETS) was \$178m lower than expected. This was primarily due to a decrease in the carbon price of units, from NZ\$15.90 per tonne when the forecast was made to NZ\$10.91 as at 31 December. The price decrease also had a corresponding impact on ETS revenue, which was \$109m lower than forecast by 31 December. • A number of Treaty settlement deeds totalling around \$118m were forecast to be initialled by October 2011 but these are now expected to happen later in the financial year, once final details are worked-through. • Expenses relating to the Auckland Rail Development (ARD) and National Land Transport Programme (NLTP) were behind forecast by around \$47m and \$40m (respectively). A number of factors have contributed to the ARD underspend, including subcontractor and tender delays. The NLTP was under forecast due to a modification to the financial assistance rate for local roads agreed by Auckland Transport and the New Zealand Transport Agency. <p>The expense delays for Treaty settlements and the NLTP are not expected to result in a variance against forecast at year end.</p>
Core Crown residual cash deficit	-\$176 million (higher than forecast)	<p>The core Crown residual cash deficit was \$10,574m, \$176m higher than forecast. The main contributing factors were:</p> <p>Core Crown tax receipts were \$767m lower than forecast (increasing the deficit):</p> <ul style="list-style-type: none"> • Corporate tax receipts were \$328m lower than forecast. While corporate tax revenue was close to forecast, there appears to be a timing issue with receipts lagging behind. Additional payments with respect to assessments up to November are expected to be made by May 2012, which would close the receipts variance, but some of this may fall into the following year. • GST and source deduction receipts were \$219m and \$95m lower than forecast (respectively), for reasons similar to their tax revenue results (see above). <p>Although tax receipts were lower than expected, the impact on residual cash was partially offset by delays in capital spending of \$527m. The delays mainly related to:</p> <ul style="list-style-type: none"> • Net purchases of physical assets which were \$215m lower than forecast, largely due to delays in payments for defence assets of \$137m. • Issuance of advances being \$213m lower than forecast mainly relating to advances to DHBs and NZTA by the NZ Debt Management Office (\$145m and \$120m lower than forecast respectively). The gap between forecast and actual advances is expected to close by the end of the year.

Item/indicator	Variance ¹	Key drivers
Gross debt	\$1,553 million (lower than forecast)	<p>Gross debt at \$72,374m was 2.1% lower than forecast. The main contributors were:</p> <ul style="list-style-type: none"> • Collateral deposits were \$1,258m lower than forecast. Depreciation in the NZD exchange rate since the forecast base month has decreased the mark-to-market (MTM) value of derivatives. This decrease in value means less collateral is required from counterparties that have entered derivatives with the Crown to offset credit exposure. • The NZ Debt Management Office repurchased approximately \$400m of NZ Government Stock and Inflation Indexed Bonds from EQC during the six months, some \$256m more than was expected. • Bond lending was \$210m lower than forecast. Higher levels of USD cash were held instead of investing in US Treasury securities (given the low yields on these instruments). This meant there were fewer securities available for entering on-lending transactions than expected. <p>These were partly offset by:</p> <ul style="list-style-type: none"> • Treasury bill issuances which were \$341m higher than forecast due to pre-funding being undertaken while market conditions were particularly favourable. Interest rates have been at record-low levels at times for all of the 3-month, 6-month and 1-year maturities, yet demand remained robust. <p>These differences from forecast are all net debt neutral, because they were offset by corresponding differences in holdings of financial assets.</p>
Net debt	\$499 million (lower than forecast)	<p>Net debt at \$50,134m was 1.0% lower than forecast. This was mainly due to:</p> <ul style="list-style-type: none"> • Currency in circulation was \$668m higher than forecast due to greater than expected public demand for currency over the holiday period. This variance is expected to close once the holiday period has finished. <p>Partially offset by:</p> <ul style="list-style-type: none"> • The residual cash deficit which was \$176m higher than forecast (as noted above).

Item/indicator	Variance	Key drivers
Total Crown		
Operating balance before gains and losses deficit	-\$3 million (higher than forecast)	The OBEGAL deficit was close to forecast at \$4,085m. While core Crown revenue was \$743m lower than forecast, this was offset by a similar underspend in core Crown expenditure (as detailed earlier).
Operating balance deficit	-\$2,598 million (higher than forecast)	<p>The operating balance deficit of \$9,470m was higher than expected due to:</p> <ul style="list-style-type: none"> • Unforecast, actuarial losses of \$1,039m on the GSF liability were recorded. These losses arose from an increase in the allowance for future mortality rate improvements (\$932m) which resulted in an increase in the GSF liability. • Actuarial losses on ACC's liability for outstanding claims were \$753m higher than forecast. These losses were largely due to a decrease in the discount rate used to calculate the present value of expected claims payments, partially offset by a level of favourable claims experience. • Net losses on financial instruments were \$779m higher than forecast. This was largely attributable to higher-than-forecast losses on the investment portfolios held by NZSF (\$196m), ACC (\$134m) and EQC (\$118m). In addition, Transpower recorded (unforecast) net losses of \$172m on fair valuing its financial liabilities, primarily driven by decreases in interest rates.
Net worth	-\$2,419 million (lower than forecast)	Net worth was lower than forecast, reflecting the higher-than-forecast operating balance deficit, as detailed above.

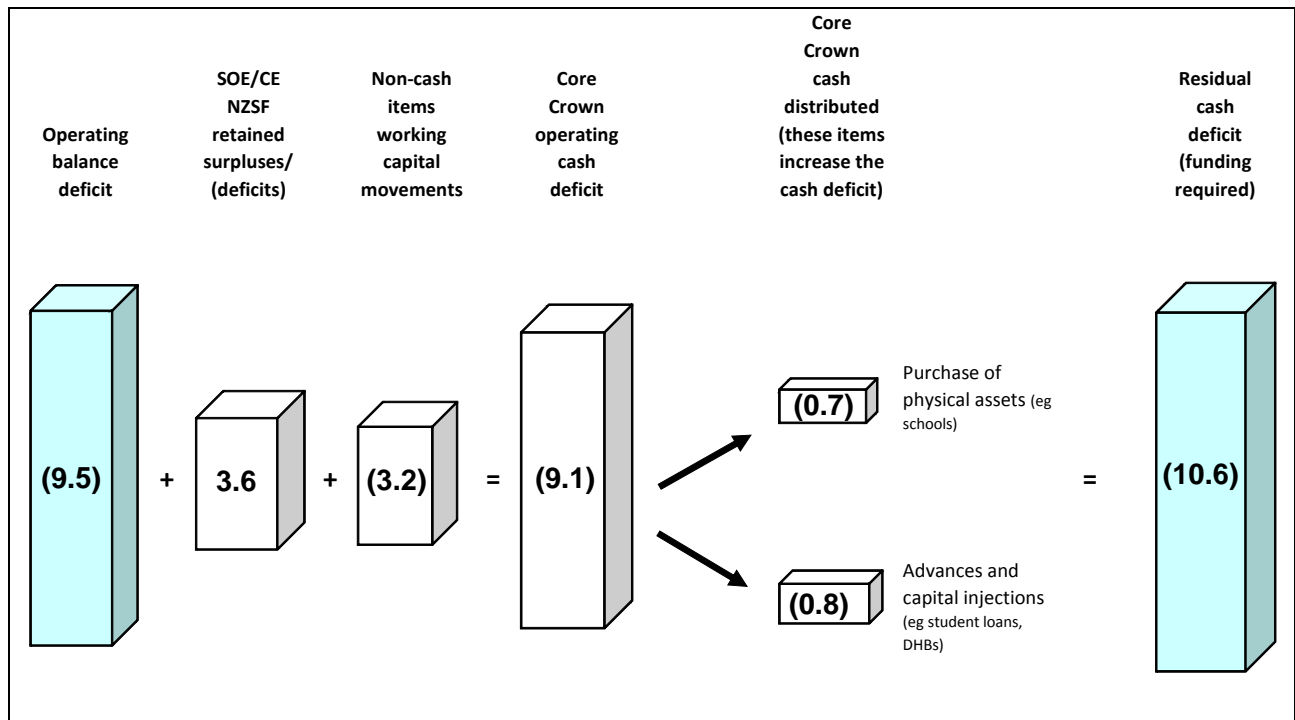
Table 3 – Fiscal Strategy and financial results

Fiscal Strategy		Financial Results		Ref	31 Dec 2011 Actual \$m	31 Dec 2011 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Operating revenue Ensure sufficient revenue to meet the operating balance objective		Taxation as a % of GDP		1	26.0%	26.4%			26.2%
		Core Crown taxation revenue ...			26,399	26,799	(400)	(1.5)	55,451
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to 30% of GDP.		... combined with other core Crown revenue ...			2,230	2,573	(343)	(13.3)	5,714
		... fund core Crown expenses...			(34,087)	(34,974)	887	2.5	(74,460)
Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective		... and with SOE and Crown entity results and core Crown gains and losses...			(4,012)	(1,270)	(2,742)	(215.9)	694
		... result in an operating surplus or deficit...			(9,470)	(6,872)	(2,598)	(37.8)	(12,601)
		...with income in SOEs, CEs and the NZS Fund retained...			3,607	848	2,759	325.4	(1,182)
		... and some items do not impact cash ...			(3,260)	(2,396)	(864)	(36.1)	4,457
Debt Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and brought back to a level no higher than 20% of GDP by the early 2020's		... leaving operating cash flows to ...			(9,123)	(8,420)	(703)	(8.3)	(9,326)
		... meet the capital expenditure budget ...			(650)	(865)	215	24.9	(2,025)
		... and make advances (e.g. to students and DHBs)			(801)	(1,113)	312	28.0	(2,285)
		With the residual cash ...			(10,574)	(10,398)	(176)	(1.7)	(13,636)
		... when combined with opening net debt ...			40,128	40,128	-	-	40,128
		... and fair value movements and other changes in financial assets and financial liabilities ...			(568)	107	675	-	59
		... results in a closing net debt ...			50,134	50,633	499	1.0	53,823
		... and as a % of GDP			24.7%	24.9%		25.4%	

¹ GDP for the six months ended 31 December 2011 (actual and forecast) is the actual data for the year ended 30 September 2011 (Source: Statistics New Zealand) pro-rated for six months.

Figure 1 – Application of core Crown cash flows (\$billions)

This diagram shows how the Operating Balance translates into cash available to the core Crown and how this cash was spent.



YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	December 2011 Actual \$m	December 2010 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	26,399	25,028	1,371	5.5
Other revenue	2,230	2,211	19	0.9
Total Core Crown Revenue	28,629	27,239	1,390	5.1
Core Crown expenses				
Social security and welfare	11,017	10,778	239	2.2
GSF pension expenses	92	153	(61)	(39.9)
Health	7,017	6,824	193	2.8
Education	5,809	5,692	117	2.1
Core government services	2,043	1,672	371	22.2
Law and order	1,693	1,707	(14)	(0.8)
Defence	872	890	(18)	(2.0)
Transport and communications	1,040	1,107	(67)	(6.1)
Economic and industrial services	1,105	1,243	(138)	(11.1)
Primary services	308	332	(24)	(7.2)
Heritage, culture and recreation	788	624	164	26.3
Housing and community development	192	196	(4)	(2.0)
Other	277	287	(10)	(3.5)
Finance costs	1,834	1,427	407	28.5
Total Core Crown Expenses	34,087	32,932	1,155	3.5
Net surplus of SOE/CE's (and inter-segment eliminations)	1,373	(275)	1,648	-
OBEGAL	(4,085)	(5,968)	1,883	31.6
Total gains/(losses)	(5,505)	4,511	(10,016)	(222.0)
Other operating items	120	111	9	8.1
Operating Balance	(9,470)	(1,346)	(8,124)	-
Core Crown residual cash	(10,574)	(13,184)	2,610	19.8
Debt indicators				
Gross debt²	72,374	62,050	10,324	16.6
Net debt³	50,134	39,545	10,589	26.8

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

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

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

Revenue and Expenses

Core Crown taxation revenue for the six months ended 31 December 2011 increased by \$1,371 million (5.5%) on the same period last year. Corporate tax (up \$668 million) was the largest contributor to the rise as corporate profits have continued to recover following the recession of 2008/09. GST was the next largest contributor (\$546 million) as the increase in the GST rate in October 2010 has flowed into tax outturns. Partially offsetting these increases in tax revenue was a decrease in source deductions (\$283 million), a result of the lowering of personal income tax rates announced in Budget 2010.

Total **core Crown expenses** increased by \$1.2 billion (3.5%) on the same period last year. The significant movements in core Crown functional expenses were as follows:

Functional expense	Movement from previous year	Main drivers of the change
Finance costs	+ \$407 million	<ul style="list-style-type: none"> • A result of increased debt levels.
Core government services	+ \$371 million	<ul style="list-style-type: none"> • Impairments of Crown assets totalling \$86 million. • Costs associated with the Canterbury Earthquake Recovery Authority (a new department formed late in 2010/11) of \$83 million. • The remainder being individually small increases across a number of departments.
Social security and welfare	+ \$239 million	<ul style="list-style-type: none"> • Indexation of welfare benefits and higher beneficiary recipient numbers.
Health	+ \$193 million	<ul style="list-style-type: none"> • Funding provided in the 2011 Budget to maintain and improve existing service levels.
Total	+ \$1.2 billion	

The **surplus of SOE/CE's** was \$1.4 billion in the first six months of this year, compared to a \$275 million deficit in the first six months of the 2010/11 financial year. The change from last year is largely due to the impact of the Canterbury earthquakes on the EQC result in the 2010/11 financial year.

Total losses were \$5.5 billion in the six months to December 2011 due to weak global equity markets and increases in the valuation of the Crown's long-term liabilities (eg, ACC and GSF). In contrast, strong global equity markets in the first six months of the 2010/11 financial year resulted in total gains of \$4.5 billion to 31 December 2010.

Debt

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



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

1 Reporting Entity

These financial statements are the consolidated financial statements for the Government reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Reserve Bank of New Zealand
- Government Superannuation Fund
- State-Owned Enterprises (SOEs)
- AMI Insurance Limited
- Departments
- New Zealand Superannuation Fund
- Crown Entities
- Air New Zealand Limited

A schedule of the entities that are included in the Government reporting entity was set out on pages 77 and 78 of the *PREFU* released on 25 October 2011.

With the exception of the 30 June 2011 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

2 General Accounting Policies

These financial statements comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests; and marketable securities, deposits and equity investments held for trading purposes. The accrual basis of accounting has been used unless otherwise stated.

These financial statements have been prepared on a going concern basis. All other policies have been applied consistently throughout the period.

3 Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:

<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

4 Forecasts

The forecasts in these financial statements have been derived from the forecasts released in the *PREFU*, on 25 October 2011.

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site:

<http://www.treasury.govt.nz/budget/forecasts/prefu2011>

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

5 Comparative Figures

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

6 Variance Percentages

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

7 Judgements and Estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future, as with the settlement of ACC outstanding claim obligations and Government Superannuation retirement benefits, depends critically on judgements regarding future cash flows, including inflation assumptions and the risk free discount rate used to calculate present values. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

A second area of uncertainty relates to the immature nature of the claims experience available to assist in estimating the claims and provisions arising from the Canterbury earthquakes. Actuarial valuations of these liabilities using the best available information have been used, however it is common in such cases for adjustments to be required as the claims experience develops.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2011

Year to 30 Jun 2011	6 months to 31 Dec 2010		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
51,128	24,738	Taxation revenue	1	26,134	26,564	(430)	(1.6)	54,957
5,281	2,450	Other sovereign revenue	1	2,387	2,726	(339)	(12.4)	5,563
56,409	27,188	Total Revenue Levied through the Crown's Sovereign Power		28,521	29,290	(769)	(2.6)	60,520
15,084	7,716	Sales of goods and services		8,367	8,318	49	0.6	16,825
2,570	1,211	Interest revenue and dividends	2	1,384	1,337	47	3.5	2,814
7,500	2,985	Other revenue		1,614	1,585	29	1.8	3,478
25,154	11,912	Total revenue earned through the Crown's operations		11,365	11,240	125	1.1	23,117
81,563	39,100	Total revenue (excluding gains)		39,886	40,530	(644)	(1.6)	83,637
		Expenses						
22,172	11,013	Social assistance and official development assistance	3	11,119	11,152	33	0.3	22,580
19,088	9,455	Personnel expenses	4	9,683	9,729	46	0.5	19,536
4,682	2,123	Depreciation and amortisation	5	2,765	2,769	4	0.1	4,562
35,829	16,144	Other operating expenses	5	16,749	17,584	835	4.7	40,685
3,596	1,815	Interest expenses	6	1,995	1,943	(52)	(2.7)	3,959
14,592	4,518	Insurance expenses	7	1,660	1,609	(51)	(3.2)	3,751
-	-	Forecast new operating spending	5	-	-	-	-	473
-	-	Top-down expense adjustment	5	-	(174)	(174)	(100.0)	(1,100)
99,959	45,068	Total expenses (excluding losses)		43,971	44,612	641	1.4	94,446
(18,396)	(5,968)	Operating balance before gains/(losses)		(4,085)	(4,082)	(3)	(0.1)	(10,809)
4,619	3,428	Net gains/(losses) on financial instruments	8	(1,691)	(912)	(779)	(85.4)	(4)
79	1,083	Net gains/(losses) on non-financial instruments	9	(3,814)	(2,011)	(1,803)	(89.7)	(2,064)
4,698	4,511	Total gains/(losses)		(5,505)	(2,923)	(2,582)	(88.3)	(2,068)
237	112	Net surplus/(deficit) from associates and joint ventures		121	133	(12)	(9.0)	276
(13,461)	(1,345)	Operating balance from continuing activities		(9,469)	(6,872)	(2,597)	(37.8)	(12,601)
-	(1)	(1) Gain/(loss) from discontinued operations		(1)	-	(1)	-	-
(13,461)	(1,346)	Operating balance (including minority interest)		(9,470)	(6,872)	(2,598)	(37.8)	(12,601)
101	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(13,360)	(1,346)	Operating balance	10	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)

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

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2011

Year to 30 Jun 2011 Actual \$m	6 months to 31 Dec 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(13,461)	(1,346)	Operating Balance (including minority interest)	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)
		Other comprehensive income					
(443)	(46)	Revaluation of physical assets	(70)	(82)	12	14.6	-
(252)	50	Effective portion of changes in value of cash flow hedges	160	5	155	-	7
17	(16)	Net change in fair value of cash flow hedges transferred to operating balance	1	-	1	-	1
95	13	Net change in fair value of cash flow hedges transferred to the hedged item	(21)	-	(21)	-	(21)
(37)	(2)	Foreign currency translation differences for foreign operations	15	3	12	400.0	6
(1)	(7)	Valuation gains/(losses) on investments available for sale taken to reserves	14	(8)	22	275.0	3
1	(1)	Other movements	(1)	1	(2)	(200.0)	-
(620)	(9)	Total other comprehensive income	98	(81)	179	221.0	(4)
(14,081)	(1,355)	Total comprehensive income	(9,372)	(6,953)	(2,419)	(34.8)	(12,605)
		Attributable to:					
(74)	-	- minority interest in Air New Zealand	-	-	-	-	-
(14,007)	(1,355)	- the Crown	(9,372)	(6,953)	(2,419)	(34.8)	(12,605)
(14,081)	(1,355)	Total comprehensive income	(9,372)	(6,953)	(2,419)	(34.8)	(12,605)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the six months ended 31 December 2011

Year to 30 Jun 2011	6 months to 31 Dec 2010		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
25,324	12,424	Social security and welfare	12,651	12,936	285	2.2	26,047
311	156	GSF pension expenses	95	105	10	9.5	210
13,068	6,507	Health	6,724	6,747	23	0.3	13,809
12,406	6,106	Education	6,211	6,305	94	1.5	13,052
5,515	1,635	Core government services	1,938	1,981	43	2.2	7,018
3,567	1,795	Law and order	1,779	1,806	27	1.5	3,823
1,778	876	Defence	851	912	61	6.7	1,856
8,402	4,086	Transport and communications	4,301	4,347	46	1.1	8,943
18,818	6,734	Economic and industrial services	4,244	4,119	(125)	(3.0)	8,884
1,603	783	Primary services	785	854	69	8.1	1,710
3,437	1,333	Heritage, culture and recreation	1,526	1,735	209	12.0	3,898
1,655	531	Housing and community development	594	559	(35)	(6.3)	1,158
479	287	Other	277	437	160	36.6	706
3,596	1,815	Finance costs	1,995	1,943	(52)	(2.7)	3,959
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(174)	(174)	(100.0)	(1,100)
99,959	45,068	Total Crown expenses excluding losses	43,971	44,612	641	1.4	94,446

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

Year to 30 Jun 2011	6 months to 31 Dec 2010		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,005	10,778	Social security and welfare	11,017	11,294	277	2.5	22,560
305	153	GSF pension expenses	92	100	8	8.0	201
13,753	6,824	Health	7,017	7,048	31	0.4	14,350
11,650	5,692	Education	5,809	5,882	73	1.2	12,269
5,563	1,673	Core government services	2,043	2,062	19	0.9	7,138
3,382	1,707	Law and order	1,693	1,720	27	1.6	3,635
1,809	890	Defence	872	932	60	6.4	1,903
2,281	1,107	Transport and communications	1,040	1,128	88	7.8	2,468
2,609	1,243	Economic and industrial services	1,105	1,146	41	3.6	2,529
706	332	Primary services	308	322	14	4.3	783
1,966	624	Heritage, culture and recreation	788	1,015	227	22.4	2,490
876	196	Housing and community development	192	204	12	5.9	400
479	287	Other	277	437	160	36.6	706
3,066	1,427	Finance costs	1,834	1,858	24	1.3	3,655
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(174)	(174)	(100.0)	(1,100)
70,450	32,933	Core Crown expenses excluding losses	34,087	34,974	887	2.5	74,460

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

STATEMENT OF CASH FLOWS

for the six months ended 31 December 2011

Year to 30 Jun 2011 Actual \$m	6 months to 31 Dec 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows From Operations					
		Cash was provided from					
50,418	21,893	Taxation receipts	22,481	23,205	(724)	(3.1)	54,070
4,693	2,641	Other sovereign receipts	2,554	2,725	(171)	(6.3)	4,884
14,899	7,575	Sales of goods and services	8,450	8,333	117	1.4	16,424
2,682	1,450	Interest and dividends	1,329	1,259	70	5.6	2,602
2,990	1,467	Other operating receipts	2,039	1,967	72	3.7	5,164
75,682	35,026	Total cash provided from operations	36,853	37,489	(636)	(1.7)	83,144
		Cash was disbursed to					
		Social assistance and official development assistance	12,215	12,169	(46)	(0.4)	23,089
22,172	11,812	Personnel and operating payments	30,597	30,502	(95)	(0.3)	62,029
55,152	29,173	Interest payments	3,107	1,594	1,969	0.8	4,100
3,107	1,594	Forecast new operating spending	-	-	-	-	623
-	-	Top-down expense adjustment	-	(174)	(174)	(100.0)	(1,100)
-	-						
80,431	42,579	Total cash disbursed to operations	44,781	44,482	(299)	(0.7)	88,741
(4,749)	(7,553)	Net cash flows from operations	(7,928)	(6,993)	(935)	(13.4)	(5,597)
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,996)	(3,074)	Net purchase of physical assets	(2,783)	(3,684)	901	24.5	(7,841)
(8,405)	1,560	Net purchase of shares and other securities	(153)	5,832	(5,985)	(102.6)	(2)
(600)	(215)	Net purchase of intangible assets	(244)	(213)	(31)	(14.6)	(582)
(1,003)	(75)	Net (issue)/repayment of advances	(536)	(706)	170	24.1	(1,673)
173	25	Net acquisition of investments in associates	19	9	10	111.1	(30)
-	-	Capital contingency provision	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	-	-	-	350
(15,831)	(1,779)	Net cash flows from investing activities	(3,697)	1,238	(4,935)	(398.6)	(10,020)
(20,580)	(9,332)	Net cash flows from operating and investing activities	(11,625)	(5,755)	(5,870)	(102.0)	(15,617)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	668	Issues of circulating currency	721	36	685	-	89
21,088	8,177	Net issue/(repayment) of Government stock ¹	9,010	2,614	6,396	244.7	10,312
1,809	2,300	Net issue/(repayment) of foreign currency borrowing	(6,206)	(5,346)	(860)	(16.1)	(7,720)
81	104	Net issue/(repayment) of other New Zealand dollar borrowing	9,870	8,775	1,095	12.5	12,454
23,212	11,249	Net cash flows from financing activities	13,395	6,079	7,316	120.3	15,135
2,632	1,917	Net movement in cash	1,770	324	1,446	446.3	(482)
7,774	7,774	Opening Cash Balance	9,801	9,801	-	-	9,801
(605)	(299)	Foreign-exchange gains/(losses) on opening cash	252	(135)	387	286.7	(134)
9,801	9,392	Closing Cash Balance	11,823	9,990	1,833	18.3	9,185

1 Net issues of Government stock include movements within government stock holdings of entities such as RBNZ, NZS Fund, ACC and EQC. The Reconciliation of Core Crown Operating Cash Flows to Residual Core Crown Cash (note 18) outlines proceeds and repayments of domestic bonds.

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2011

Year to 30 Jun 2011 Actual \$m	6 months to 31 Dec 2011 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
(4,749)	(7,553)	Net Cash Flows from Operations	(7,928)	(6,993)	(935)	(13.4)	(5,597)
		<i>Items included in the operating balance but not in net cash flows from operations.</i>					
Gains/(losses)							
4,619	3,428	Gains/(losses) on other financial instruments	(1,691)	(912)	(779)	(85.4)	(4)
79	1,083	Gains/(losses) on other non-financial instruments	(3,814)	(2,011)	(1,803)	(89.7)	(2,064)
4,698	4,511	Total gains/(losses)	(5,505)	(2,923)	(2,582)	(88.3)	(2,068)
Other Non-cash Items in Operating Balance							
(4,682)	(2,123)	Depreciation and amortisation	(2,765)	(2,769)	4	0.1	(4,562)
(807)	(278)	Write-down on initial recognition of loans Impairment on financial assets (excluding receivables)	(286)	(239)	(47)	(19.7)	(798)
105	35	Decrease/(increase) in defined benefit retirement plan liabilities	41	40	1	2.5	79
358	177	Decrease/(increase) in insurance liabilities	230	169	61	36.1	475
(13,179)	(1,481)	Other	2,511	2,400	111	4.6	2,460
238	117		121	132	(11)	(8.3)	281
(17,967)	(3,553)	Total other non-cash Items	(148)	(267)	119	44.6	(2,065)
Movements in Working Capital							
6,605	3,546	Increase/(decrease) in receivables	1,674	(58)	1,732	-	(1,532)
(599)	(460)	Increase/(decrease) in accrued interest	28	120	(92)	(76.7)	353
149	77	Increase/(decrease) in inventories	9	(1)	10	-	11
39	405	Increase/(decrease) in prepayments	356	216	140	64.8	4
(46)	9	Decrease/(increase) in deferred revenue	(146)	(137)	(9)	(6.6)	164
(1,490)	1,672	Decrease/(increase) in payables/provisions	2,190	3,171	(981)	(30.9)	(1,871)
4,658	5,249	Total movements in working capital	4,111	3,311	800	24.2	(2,871)
(13,360)	(1,346)	Operating Balance	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)

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

STATEMENT OF CHANGES IN NET WORTH

for the six months ended 31 December 2011

Year to 30 Jun 2011 Actual \$m	6 months to 31 Dec 2010 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
94,988	94,988	Opening net worth	80,887	80,887	-	-	80,887
(13,461)	(1,346)	Operating balance (including minority interest)	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)
(443)	(46)	Net revaluations	(70)	(82)	12	14.6	-
(279)	44	Transfers to/(from) reserves (Gains)/losses transferred to the	173	(3)	176	-	7
17	(16)	statement of financial performance	1	1	-	-	1
85	9	Other movements	(5)	4	(9)	(225.0)	(12)
(14,081)	(1,355)	Total comprehensive income	(9,371)	(6,952)	(2,419)	(34.8)	(12,605)
(20)	-	Transactions with minority interest in Air New Zealand	-	-	-	-	-
80,887	93,633	Closing net worth	71,516	73,935	(2,419)	(3.3)	68,282

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

As at 30 Jun 2011 Actual \$m	As at 31 Dec 2010 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
9,801	9,392	Cash and cash equivalents	11	11,823	9,990	1,833	18.3	9,185
21,690	18,233	Receivables	11	22,487	21,267	1,220	5.7	18,798
		Marketable securities, deposits and						
49,056	40,328	derivatives in gain	11	40,195	39,215	980	2.5	42,497
14,248	13,772	Share investments	11	13,818	16,923	(3,105)	(18.3)	18,443
20,567	19,148	Advances	11	20,972	21,231	(259)	(1.2)	22,181
1,308	1,237	Inventory		1,317	1,307	10	0.8	1,320
1,996	2,020	Other assets		2,225	2,183	42	1.9	1,946
114,854	114,629	Property, plant & equipment	12	115,851	116,662	(811)	(0.7)	119,067
9,301	9,148	Equity accounted investments ¹		9,714	9,767	(53)	(0.5)	9,689
2,394	2,187	Intangible assets and goodwill ²		2,302	2,410	(108)	(4.5)	2,597
-	-	Forecast for new capital spending		-	-	-	-	242
-	-	Top-down capital adjustment		-	-	-	-	(350)
245,215	230,094	Total assets		240,704	240,955	(251)	(0.1)	245,615
Liabilities								
4,254	4,688	Issued currency		4,976	4,307	(669)	(15.5)	4,361
11,099	7,714	Payables	14	10,348	10,750	402	3.7	12,303
1,674	1,619	Deferred revenue		1,820	1,812	(8)	(0.4)	1,510
90,245	79,916	Borrowings		94,424	94,004	(420)	(0.4)	101,237
39,314	27,701	Insurance liabilities	15	38,852	38,211	(641)	(1.7)	38,272
10,156	9,619	Retirement plan liabilities		11,865	10,887	(978)	(9.0)	10,581
7,586	5,204	Provisions	16	6,903	7,049	146	2.1	9,069
164,328	136,461	Total liabilities		169,188	167,020	(2,168)	(1.3)	177,333
80,887	93,633	Total assets less total liabilities		71,516	73,935	(2,419)	(3.3)	68,282
Net Worth								
18,188	29,869	Taxpayer funds	17	8,822	11,335	(2,513)	(22.2)	5,631
62,690	63,418	Revaluation reserve	17	62,516	62,589	(73)	(0.1)	62,646
(299)	(56)	Other reserves	17	(130)	(297)	167	56.2	(303)
80,579	93,231	Total net worth attributable to the Crown		71,208	73,627	(2,419)	(3.3)	67,974
308	402	Net worth attributable to minority interest in Air New Zealand		308	308	-	-	308
80,887	93,633	Total net worth		71,516	73,935	(2,419)	(3.3)	68,282

¹ Tertiary education institutions constitute most equity accounted investments.

² Intangible assets include the Kyoto net asset of \$183 million.

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

STATEMENT OF BORROWINGS

as at 31 December 2011

As at 30 Jun 2011 Actual \$m	As at 31 Dec 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
46,018	35,884	Government stock ¹	46,394	46,423	29	0.1	52,630
7,028	7,953	Treasury bills	9,013	8,759	(254)	(2.9)	8,997
261	281	Government retail stock	255	258	3	1.2	258
6,276	7,554	Settlement deposits with Reserve Bank	6,938	5,429	(1,509)	(27.8)	5,429
2,767	1,984	Derivatives in loss	2,952	3,008	56	1.9	2,638
1,176	848	Finance lease liabilities	1,178	1,125	(53)	(4.7)	1,556
26,719	25,412	Other borrowings	27,694	29,002	1,308	4.5	29,729
90,245	79,916	Total borrowings	94,424	94,004	(420)	(0.4)	101,237
67,765	59,522	Sovereign-guaranteed debt	70,363	70,294	(69)	(0.1)	76,415
22,480	20,394	Non sovereign-guaranteed debt	24,061	23,710	(351)	(1.5)	24,822
90,245	79,916	Total borrowings	94,424	94,004	(420)	(0.4)	101,237
		Net Debt:					
76,885	67,733	Core Crown borrowings ²	78,470	78,540	70	0.1	84,636
405	490	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(562)	(629)	(67)	(10.7)	(872)
77,290	68,223	Gross sovereign-issued debt³	77,908	77,911	3	-	83,764
65,400	55,324	Less core Crown financial assets ⁴	56,506	56,974	(468)	(0.8)	61,028
11,890	12,899	Net core Crown debt (incl NZS Fund)⁵	21,402	20,937	(465)	(2.2)	22,736
16,159	15,421	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	16,346	17,110	(764)	(4.5)	18,171
28,049	28,320	Net core Crown debt (excl NZS Fund)⁵	37,748	38,047	299	0.8	40,907
12,079	11,225	Core crown advances	12,386	12,586	200	1.6	12,916
40,128	39,545	Net core Crown debt (excl NZS Fund and advances)⁷	50,134	50,633	499	1.0	53,823
		Gross Debt:					
77,290	68,223	Gross sovereign-issued debt ³	77,908	77,911	3	-	83,764
(6,470)	(7,773)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,134)	(5,585)	1,550	27.7	(5,585)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
72,420	62,050	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	72,374	73,926	1,553	2.1	79,779

Notes on gross and net debt:

- Government stock includes \$395 million of infrastructure bonds.
- Core Crown borrowings in this instance includes unsettled purchases of securities (classified as accounts payable in the statement of financial position).
- Gross Sovereign-Issued Debt (GSID) represents debt issued by the sovereign (the core Crown) and includes Government stock held by the New Zealand Superannuation Fund (NZS Fund), ACC and EQC.
- Core Crown financial assets exclude receivables.
- Net Core Crown Debt represents GSID less financial assets. This can provide information about the sustainability of the Government's accounts, and is used by some international agencies when determining the creditworthiness of a country.
- Adding back the NZS Fund assets provides the financial liabilities less financial assets of the Core Crown, excluding those assets set aside to meet part of the future cost of New Zealand superannuation.
- Net Core Crown Debt (excluding NZS Fund and advances) excludes financial assets which are held for public policy rather than treasury management purposes.
- The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the NZ Debt Management Office borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

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

STATEMENT OF COMMITMENTS

as at 31 December 2011

	As at 31 Dec 2011 \$m	As at 30 Jun 2011 \$m	As at 31 Dec 2010 \$m
Capital Commitments			
Specialist military equipment	330	369	362
Land and buildings	617	701	813
Other property, plant and equipment	7,049	7,032	6,368
Other capital commitments	420	408	241
Tertiary Education Institutions	413	413	302
Total capital commitments	8,829	8,923	8,086
Operating Commitments			
Non-cancellable accommodation leases	2,791	2,909	2,934
Other non-cancellable leases	2,991	3,171	3,233
Non-cancellable contracts for the supply of goods and services	5,533	5,520	2,292
Other operating commitments	7,246	7,415	8,993
Tertiary Education Institutions	366	366	304
Total operating commitments	18,927	19,381	17,756
Total commitments	27,756	28,304	25,842
Total Commitments by Segment			
Core Crown	15,618	22,129	14,250
Crown entities	13,530	12,925	12,945
State-owned Enterprises	10,373	10,410	7,288
Inter-segment eliminations	(11,765)	(17,160)	(8,641)
Total commitments	27,756	28,304	25,842

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 December 2011

	As at 31 Dec 2011 \$m	As at 30 Jun 2011 \$m	As at 31 Dec 2010 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	81	78	102
Uncalled capital	5,431	4,033	2,096
Legal proceedings and disputes	339	331	408
Other contingent liabilities	2,756	2,699	3,451
Total quantifiable contingent liabilities	8,607	7,141	6,057
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,374	6,884	5,728
Crown entities	174	173	260
State-owned Enterprises	59	84	69
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,607	7,141	6,057
Quantifiable Contingent Assets			
Core Crown	662	702	650
Crown entities	20	2	3
Total quantifiable contingent assets	682	704	653

A list of unquantified contingent liabilities (such as the deposit guarantee scheme and the Canterbury earthquakes) as at 30 June 2011 is included on the Treasury's website <http://www.treasury.govt.nz/government/financialstatements/yearend/jun11/69.htm>

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	6 months to 31 Dec 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1: Revenue Collected Through the Crown's Sovereign Power							
Taxation Revenue (accrual)							
Individuals							
20,857	10,741	Source deductions	10,457	10,753	(296)	(2.8)	21,304
3,791	1,645	Other persons	1,842	1,785	57	3.2	4,290
(1,679)	(850)	Refunds	(867)	(834)	(33)	(4.0)	(1,616)
462	244	Fringe benefit tax	224	229	(5)	(2.2)	440
23,431	11,780	Total individuals	11,656	11,933	(277)	(2.3)	24,418
Corporate Tax							
6,687	2,823	Gross companies tax	3,528	3,581	(53)	(1.5)	8,025
(197)	(82)	Refunds	(86)	(101)	15	14.9	(260)
467	258	Non-resident withholding tax	246	215	31	14.4	427
-	(1)	Foreign-source dividend w/holding payments	5	(1)	6	-	-
6,957	2,998	Total corporate tax	3,693	3,694	(1)	-	8,192
Other Income Tax							
1,704	798	Resident w/holding tax on interest income	782	804	(22)	(2.7)	1,646
195	88	Resident w/holding tax on dividend income	134	95	39	41.1	207
2	1	Estate and gift duties	-	-	-	-	-
1,901	887	Total other income tax	916	899	17	1.9	1,853
32,289	15,665	Total income tax	16,265	16,526	(261)	(1.6)	34,463
Goods and Services Tax							
23,484	10,643	Gross goods and services tax	12,304	12,485	(181)	(1.4)	25,626
(9,776)	(4,326)	Refunds	(5,441)	(5,388)	(53)	(1.0)	(10,557)
13,708	6,317	Total goods and services tax	6,863	7,097	(234)	(3.3)	15,069
Other Taxation							
1,016	500	Road user charges	521	536	(15)	(2.8)	1,073
872	432	Petroleum fuels excise - domestic production	448	462	(14)	(3.0)	921
623	356	Alcohol excise - domestic production	342	358	(16)	(4.5)	712
220	149	Tobacco excise - domestic production	206	171	35	20.5	210
575	269	Petroleum fuels excise - imports ¹	329	275	54	19.6	640
229	127	Alcohol excise - imports ¹	132	138	(6)	(4.3)	245
924	587	Tobacco excise - imports ¹	692	639	53	8.3	956
188	98	Other customs duty	96	94	2	2.1	178
214	103	Gaming duties	108	133	(25)	(18.8)	224
172	86	Motor vehicle fees	87	86	1	1.2	168
62	30	Approved issuer levy and cheque duty	28	31	(3)	(9.7)	60
36	19	Energy resources levies	17	18	(1)	(5.6)	38
5,131	2,756	Total other indirect taxation	3,006	2,941	65	2.2	5,425
18,839	9,073	Total indirect taxation	9,869	10,038	(169)	(1.7)	20,494
51,128	24,738	Total taxation revenue	26,134	26,564	(430)	(1.6)	54,957
Other Sovereign Revenue (accrual)							
3,586	1,760	ACC levies	1,872	1,866	6	0.3	3,686
312	166	Fire Service levies	178	170	8	4.7	309
88	44	EQC levies	46	51	(5)	(9.8)	103
1,295	480	Other miscellaneous items	291	639	(348)	(54.5)	1,465
5,281	2,450	Total other sovereign revenue	2,387	2,726	(339)	(12.4)	5,563
56,409	27,188	Total sovereign revenue	28,521	29,290	(769)	(2.6)	60,520

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	6 months to 31 Dec 2010		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1 (continued): Receipts Collected Through the Crown's Sovereign Power							
Income Tax Receipts (cash)							
Individuals							
20,699	10,727	Source deductions	10,400	10,497	(97)	(0.9)	21,212
4,386	1,561	Other persons	1,521	1,648	(127)	(7.7)	4,897
(2,463)	(1,499)	Refunds	(1,440)	(1,433)	(7)	(0.5)	(2,342)
457	228	Fringe benefit tax	212	208	4	1.9	439
23,079	11,017	Total individuals	10,693	10,920	(227)	(2.1)	24,206
Corporate Tax							
7,588	2,967	Gross companies tax	3,122	3,542	(420)	(11.9)	8,603
(772)	(397)	Refunds	(284)	(390)	106	27.2	(918)
462	253	Non-resident withholding tax	224	214	10	4.7	427
(1)	(2)	Foreign-source dividend w/holding payments	-	(1)	1	100.0	-
7,277	2,821	Total corporate tax	3,062	3,365	(303)	(9.0)	8,112
Other Income Tax							
1,701	818	Resident w/holding tax on interest income	820	819	1	0.1	1,645
196	92	Resident w/holding tax on dividend income	132	93	39	41.9	206
2	1	Estate and gift duties	-	-	-	-	-
1,899	911	Total other income tax	952	912	40	4.4	1,851
32,255	14,749	Total income tax	14,707	15,197	(490)	(3.2)	34,169
Goods and Services Tax							
22,162	8,498	Gross goods and services tax	10,344	10,149	195	1.9	24,370
(9,177)	(3,855)	Refunds	(5,212)	(4,841)	(371)	(7.7)	(9,896)
12,985	4,643	Total goods and services tax	5,132	5,308	(176)	(3.3)	14,474
Other Taxation							
1,015	498	Road user charges	523	536	(13)	(2.4)	1,073
869	431	Petroleum fuels excise - domestic production	438	454	(16)	(3.5)	921
625	309	Alcohol excise - domestic production	325	347	(22)	(6.3)	712
181	72	Tobacco excise - domestic production	115	88	27	30.7	210
2,005	958	Customs duty	1,002	1,007	(5)	(0.5)	2,019
216	104	Gaming duties	108	134	(26)	(19.4)	225
171	87	Motor vehicle fees	86	86	-	-	168
60	26	Approved issuer levy and cheque duty	28	30	(2)	(6.7)	61
36	16	Energy resources levies	17	18	(1)	(5.6)	38
5,178	2,501	Total other indirect taxation	2,642	2,700	(58)	(2.1)	5,427
18,163	7,144	Total indirect taxation	7,774	8,008	(234)	(2.9)	19,901
50,418	21,893	Total tax receipts collected	22,481	23,205	(724)	(3.1)	54,070
Other Sovereign Receipts (cash)							
3,612	2,083	ACC levies	2,001	2,179	(178)	(8.2)	3,712
312	166	Fire Service levies	178	170	8	4.7	309
88	48	EQC levies	49	49	-	-	135
681	344	Other miscellaneous items	326	327	(1)	(0.3)	728
4,693	2,641	Total other sovereign receipts	2,554	2,725	(171)	(6.3)	4,884
55,111	24,534	Total sovereign receipts	25,035	25,930	(895)	(3.5)	58,954

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	6 months to 31 Dec 2010		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 2: Interest Revenue and Dividends					
		<i>By type</i>					
2,142	1,026	Interest revenue	1,144	1,099	45	4.1	2,272
428	185	Dividends	240	238	2	0.8	542
2,570	1,211	Total interest revenue and dividends	1,384	1,337	47	3.5	2,814
		<i>By source</i>					
2,169	737	Core Crown	896	940	(44)	(4.7)	2,039
1,234	330	Crown entities	630	733	(103)	(14.1)	1,325
801	351	State-owned Enterprises	428	406	22	5.4	828
(1,634)	(207)	Inter-segment eliminations	(570)	(742)	172	23.2	(1,378)
2,570	1,211	Total interest revenue and dividends	1,384	1,337	47	3.5	2,814
		NOTE 3: Social Assistance and Official Development Assistance					
8,830	4,364	New Zealand superannuation	4,728	4,732	4	0.1	9,597
1,757	880	Domestic purposes benefit	911	915	4	0.4	1,840
943	478	Unemployment benefit	443	431	(12)	(2.8)	860
1,306	658	Invalids benefit	667	665	(2)	(0.3)	1,327
2,139	1,119	Family tax credit	1,085	1,092	7	0.6	2,131
1,197	602	Accommodation supplement	600	599	(1)	(0.2)	1,199
743	370	Sickness benefit	388	384	(4)	(1.0)	770
620	325	Student allowances	344	346	2	0.6	634
409	208	Disability allowances	203	204	1	0.5	403
1,042	477	KiwiSaver	330	338	8	2.4	685
2,691	1,342	Other social assistance benefits	1,258	1,266	8	0.6	2,590
21,677	10,823	Total social assistance	10,957	10,972	15	0.1	22,036
495	190	Official development assistance	162	180	18	10.0	544
22,172	11,013	Total social assistance and official development assistance	11,119	11,152	33	0.3	22,580
		NOTE 4: Personnel Expenses					
5,996	2,978	Core Crown	2,924	2,985	61	2.0	6,011
10,410	5,149	Crown entities	5,326	5,344	18	0.3	10,724
2,695	1,333	State-owned Enterprises	1,438	1,405	(33)	(2.3)	2,811
(13)	(5)	Inter-segment eliminations	(5)	(5)	-	-	(10)
19,088	9,455	Total personnel expenses	9,683	9,729	46	0.5	19,536
		NOTE 5: Operating Expenses					
		<i>By type</i>					
4,682	2,123	Depreciation and amortisation	2,765	2,769	4	0.1	4,562
35,829	16,144	Other operating expenses	16,749	17,584	835	4.7	40,685
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(174)	(174)	(100.0)	(1,100)
40,511	18,267	Total operating expenses	19,514	20,179	665	3.3	44,620
		<i>By source</i>					
39,157	17,487	Core Crown	18,201	18,974	773	4.1	42,197
17,905	8,895	Crown entities	8,839	8,929	90	1.0	18,433
9,567	4,935	State-owned Enterprises	5,529	5,489	(40)	(0.7)	10,993
(26,118)	(13,050)	Inter-segment eliminations	(13,055)	(13,213)	(158)	(1.2)	(27,003)
40,511	18,267	Total operating expenses	19,514	20,179	665	3.3	44,620

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	6 months to 31 Dec 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 6: Interest Expenses					
		<i>By type</i>					
3,545	1,781	Interest on financial liabilities	1,977	1,920	(57)	(3.0)	3,914
51	34	Interest unwind on provisions	18	23	5	21.7	45
3,596	1,815	Total interest expenses	1,995	1,943	(52)	(2.7)	3,959
		<i>By source</i>					
3,066	1,427	Core Crown	1,834	1,858	24	1.3	3,655
248	120	Crown entities	126	134	8	6.0	266
1,027	576	State-owned Enterprises	556	556	-	-	1,129
(745)	(308)	Inter-segment eliminations	(521)	(605)	(84)	(13.9)	(1,091)
3,596	1,815	Total interest expenses	1,995	1,943	(52)	(2.7)	3,959
		NOTE 7: Insurance Expenses					
		<i>By entity</i>					
2,979	1,515	ACC	1,429	1,430	1	0.1	3,129
11,776	2,983	EQC	96	55	(41)	(74.5)	427
(163)	20	Other insurance expenses	135	124	(11)	(8.9)	195
14,592	4,518	Total insurance expenses	1,660	1,609	(51)	(3.2)	3,751
		NOTE 8: Gains and Losses on Financial Instruments					
		<i>By source</i>					
4,116	2,595	Core Crown	(924)	(853)	(71)	(8.3)	36
1,058	870	Crown entities	232	(127)	359	282.7	32
(281)	63	State-owned Enterprises	(354)	(54)	(300)	-	(86)
(274)	(100)	Inter-segment eliminations	(645)	122	(767)	-	14
4,619	3,428	Net gains/(losses) on financial instruments	(1,691)	(912)	(779)	(85.4)	(4)
		NOTE 9: Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
(574)	144	Actuarial gains/(losses) on GSF liability	(1,939)	(900)	(1,039)	(115.4)	(900)
996	911	Actuarial gains/(losses) on ACC liability	(2,050)	(1,297)	(753)	(58.1)	(1,418)
(343)	28	Other	175	186	(11)	(5.9)	254
79	1,083	Net gains/(losses) on non-financial instruments	(3,814)	(2,011)	(1,803)	(89.7)	(2,064)
		<i>By source</i>					
(588)	117	Core Crown	(1,858)	(804)	(1,054)	(131.1)	(834)
931	896	Crown entities	(2,051)	(1,301)	(750)	(57.6)	(1,429)
(264)	70	State-owned Enterprises	95	95	-	-	199
-	-	Inter-segment eliminations	-	(1)	1	100.0	-
79	1,083	Net gains/(losses) on non-financial instruments	(3,814)	(2,011)	(1,803)	(89.7)	(2,064)
		NOTE 10: Operating Balance					
		<i>By source</i>					
(9,267)	(2,963)	Core Crown	(8,214)	(7,226)	(988)	(13.7)	(14,010)
(3,143)	1,141	Crown entities	(566)	(151)	(415)	(274.8)	538
327	587	State-owned Enterprises	125	537	(412)	(76.7)	1,097
(1,277)	(111)	Inter-segment eliminations	(815)	(32)	(783)	-	(226)
(13,360)	(1,346)	Total operating balance	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 Dec 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Financial Assets and Sovereign Receivables							
9,801	9,392	Cash and cash equivalents	11,823	9,990	1,833	18.3	9,185
7,104	9,386	Tax receivables	10,158	9,713	445	4.6	7,348
14,586	8,847	Trade and other receivables	12,329	11,554	775	6.7	11,450
7,460	6,868	Student loans	7,569	7,578	(9)	(0.1)	7,932
11,495	10,919	Kiwibank mortgages	12,068	12,345	(277)	(2.2)	12,950
2,259	2,605	Long-term deposits	2,261	2,059	202	9.8	2,402
2,168	2,072	IMF financial assets	2,302	2,209	93	4.2	2,346
1,612	1,361	Other advances	1,335	1,308	27	2.1	1,299
14,248	13,772	Share investments	13,818	16,923	(3,105)	(18.3)	18,443
5,415	4,299	Derivatives in gain	4,887	4,744	143	3.0	4,188
39,214	31,352	Other marketable securities	30,745	30,203	542	1.8	33,561
115,362	100,873	Total financial assets and sovereign receivables	109,295	108,626	669	0.6	111,104
Financial assets by entity							
29,928	19,494	NZDMO	19,513	20,706	(1,193)	(5.8)	23,314
17,909	19,488	Reserve Bank of New Zealand	18,505	16,862	1,643	9.7	16,752
18,687	17,929	NZ Superannuation Fund	17,661	17,856	(195)	(1.1)	18,872
19,116	20,565	Other core Crown	21,753	21,230	523	2.5	19,110
(9,165)	(8,763)	Intra-segment eliminations	(7,657)	(7,695)	38	0.5	(7,538)
76,475	68,713	Total core Crown segment	69,775	68,959	816	1.2	70,510
21,569	17,357	ACC portfolio	22,666	22,209	457	2.1	24,548
9,305	7,072	EQC portfolio	7,473	7,777	(304)	(3.9)	6,495
8,831	6,934	Other Crown entities	9,003	8,823	180	2	8,284
(3,314)	(972)	Intra-segment eliminations	(3,477)	(3,452)	(25)	(0.7)	(3,426)
36,391	30,391	Total Crown entities segment	35,665	35,357	308	0.9	35,901
20,241	16,723	Total State-owned enterprises segment	20,708	20,415	293	1.4	20,789
(17,745)	(14,954)	Inter-segment eliminations	(16,853)	(16,105)	(748)	(4.6)	(16,096)
115,362	100,873	Total financial assets	109,295	108,626	669	0.6	111,104

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 Dec 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 12: Property, Plant and Equipment							
Net Carrying Value							
<i>By class of asset:</i>							
16,372	16,604	Land (valuation)	16,458	16,456	2	-	16,774
24,539	24,336	Buildings (valuation)	24,325	24,598	(273)	(1.1)	25,514
2,690	2,340	Electricity distribution network (cost)	3,040	2,982	58	1.9	3,267
14,439	13,807	Electricity generation assets (valuation)	14,518	14,786	(268)	(1.8)	15,208
1,805	2,082	Aircraft (excl military) (valuation)	1,991	1,978	13	0.7	2,048
25,126	25,255	State highways (valuation)	25,468	25,577	(109)	(0.4)	25,842
12,749	12,588	Rail network (valuation)	12,892	12,851	41	0.3	12,986
3,331	3,360	Specialist military equipment (valuation)	3,279	3,374	(95)	(2.8)	3,271
8,133	8,458	Specified cultural and heritage assets (valuation)	8,146	8,157	(11)	(0.1)	8,169
5,670	5,799	Other plant and equipment (cost)	5,734	5,903	(169)	(2.9)	5,988
114,854	114,629	Total net carrying value	115,851	116,662	(811)	(0.7)	119,067
<i>By source:</i>							
29,549	30,034	Core Crown	29,552	29,680	(128)	(0.4)	30,121
48,480	48,634	Crown entities	48,743	49,098	(355)	(0.7)	50,148
36,825	35,961	State-owned enterprises	37,556	37,884	(328)	(0.9)	38,798
-	-	Inter-segment eliminations	-	-	-	-	-
114,854	114,629	Total net carrying value	115,851	116,662	(811)	(0.7)	119,067
Movement note							
Cost or valuation							
123,941	123,941	Opening balance	126,601	126,601	-	-	126,601
6,644	3,436	Additions (refer below)	3,909	4,826	(917)	(19.0)	8,673
(1,283)	(331)	Disposals	(197)	(131)	(66)	(50.4)	(371)
(2,471)	-	Net revaluations	(6)	(154)	148	96.1	50
(230)	75	Other	(311)	4	(315)	-	231
126,601	127,121	Total cost or valuation	129,996	131,146	(1,150)	(0.9)	135,184
Accumulated depreciation and impairment							
10,611	10,611	Opening balance	11,747	11,747	-	-	11,747
(832)	(150)	Eliminated on disposal	(169)	(39)	(130)	(333.3)	(109)
(1,884)	-	Eliminated on revaluation	1	-	1	-	-
3,727	1,825	Depreciation expense	2,458	2,469	(11)	(0.4)	3,952
125	206	Other	108	307	(199)	(64.8)	527
11,747	12,492	Total accumulated depreciation and impairment	14,145	14,484	(339)	(2.3)	16,117
114,854	114,629	Total property, plant and equipment	115,851	116,662	(811)	(0.7)	119,067
Additions - by functional classification							
2,807	1,363	Transport and communications	1,128	1,267	(139)	(11.0)	2,401
1,200	587	Economic and industrial services	681	1,017	(336)	(33.0)	2,115
648	442	Education	1,194	1,231	(37)	(3.0)	886
617	287	Health	294	463	(169)	(36.5)	992
258	265	Defence	212	355	(143)	(40.3)	690
1,114	492	Other	400	493	(93)	(18.9)	1,589
6,644	3,436	Total additions	3,909	4,826	(917)	(19.0)	8,673

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	6 months to 31 Dec 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
518	239	Revenue	255	276	(21)	(7.6)	590
872	558	Less current tax expense	(180)	(208)	(28)	(13.5)	(20)
169	121	Less other expenses ¹	55	87	32	36.8	171
3,518	2,498	Add gains/(losses)	(1,264)	(1,052)	(212)	(20.2)	(425)
2,995	2,058	Operating balance	(884)	(655)	(229)	(35.0)	14
15,656	15,656	Opening net worth	18,652	18,652	-	-	18,652
2,995	2,058	Operating balance	(884)	(655)	(229)	(35.0)	14
1	1	Other movements in reserves	4	4	-	-	6
18,652	17,715	Closing net worth	17,772	18,001	(229)	(1.3)	18,672
<i>comprising:</i>							
18,687	17,929	Financial assets	17,661	17,856	(195)	(1.1)	18,872
(1,161)	(1,244)	Financial liabilities	(1,030)	(1,104)	74	6.7	(1,436)
1,126	1,030	Net other assets	1,141	1,249	(108)	(8.6)	1,236
18,652	17,715	Closing net worth	17,772	18,001	(229)	(1.3)	18,672
Core Crown revenue (excl NZS Fund)							
57,550	27,239	Core Crown revenue	28,629	29,372	(743)	(2.5)	61,165
518	239	Less NZS Fund revenue	255	276	(21)	(7.6)	590
872	558	Add back NZS Fund intra-segment revenue	(180)	(208)	28	13.5	(20)
57,904	27,558	Core Crown revenue (excl NZS Fund)	28,194	28,888	(694)	(2.4)	60,555
OBEGAL excluding NZS Fund							
(18,396)	(5,968)	Total Crown OBEGAL	(4,085)	(4,082)	(3)	(0.1)	(10,809)
518	239	Less NZS Fund revenue	255	276	(21)	(7.6)	590
111	46	Add back NZS Fund external expenses	30	62	(32)	(51.6)	122
872	558	Add back NZS Fund tax	(180)	(208)	28	13.5	(20)
(17,931)	(5,603)	OBEGAL excluding NZS Fund	(4,490)	(4,504)	14	0.3	(11,297)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 Dec 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Payables							
7,337	4,786	Accounts payable	7,352	7,888	536	6.8	8,541
3,762	2,928	Taxes repayable	2,996	2,862	(134)	(4.7)	3,762
11,099	7,714	Total payables	10,348	10,750	402	3.7	12,303
NOTE 15: Insurance liabilities							
26,939	25,134	ACC liability	28,030	27,220	(810)	(3.0)	29,025
10,570	2,521	EQC property damage liability	8,682	8,793	111	1.3	7,616
2,082	-	AMI Liability	2,080	2,132	52	2.4	1,560
59	46	Other insurance liabilities	60	66	6	9.1	71
(336)	-	Inter-segment eliminations	-	-	-	-	-
39,314	27,701	Total insurance liabilities	38,852	38,211	(641)	(1.7)	38,272
NOTE 16: Provisions							
612	187	Provision for ETS Credits	596	764	168	22.0	1,492
983	990	Provision for National Provident Fund guarantee	954	965	11	1.1	918
3,050	2,799	Provision for employee entitlements	2,998	2,892	(106)	(3.7)	2,990
1,039	-	Provision for Canterbury Red Zone support package	714	866	152	17.6	610
567	-	Provision for weathertight services financial assistance package	567	567	-	-	556
1,335	1,228	Other provisions	1,074	995	(79)	(7.9)	2,503
7,586	5,204	Total provisions	6,903	7,049	146	2.1	9,069
NOTE 17: Changes in Net Worth							
31,087	31,087	Opening taxpayers funds	18,188	18,188	-	-	18,188
(13,360)	(1,346)	Operating balance excluding minority interest	(9,470)	(6,872)	(2,598)	(37.8)	(12,601)
461	128	Transfers from/(to) other reserves	104	19	85	447.4	44
18,188	29,869	Closing taxpayers funds	8,822	11,335	(2,513)	(22.2)	5,631
63,593	63,593	Opening revaluation reserve	62,690	62,690	-	-	62,690
(443)	(46)	Net revaluations	(70)	(82)	12	14.6	-
(460)	(129)	Transfers from/(to) other reserves	(104)	(19)	(85)	(447.4)	(44)
62,690	63,418	Closing revaluation reserve	62,516	62,589	(73)	(0.1)	62,646
(94)	(94)	Opening other reserves	(299)	(299)	-	-	(299)
(205)	38	Net movements	169	2	167	-	(4)
(299)	(56)	Closing other reserves	(130)	(297)	167	56.2	(303)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	6 months to 31 Dec 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Reconciliation of core Crown operating cash flows to residual core Crown cash							
Core Crown Cash Flows from Operations							
51,454	22,279	Total tax receipts	22,925	23,691	(766)	(3.2)	54,801
646	341	Total other sovereign receipts	319	314	5	1.6	693
1,817	563	Interest, profits and dividends	761	705	56	7.9	1,462
2,094	958	Sale of goods & services and other receipts	1,335	1,378	(43)	(3.1)	2,895
(22,226)	(11,839)	Subsidies and transfer payments	(12,221)	(12,176)	(45)	(0.4)	(23,103)
(40,433)	(22,474)	Personnel and operating costs	(20,533)	(20,779)	246	1.2	(43,101)
(2,637)	(1,185)	Finance costs	(1,709)	(1,727)	18	1.0	(3,450)
-	-	Forecast for future new operating spending	-	-	-	-	(623)
-	-	Top-down expense adjustment	-	174	(174)	(100.0)	1,100
(9,285)	(11,357)	Net cash flows from core Crown operations	(9,123)	(8,420)	(703)	(8.3)	(9,326)
(1,524)	(746)	Net purchase of physical assets	(650)	(865)	215	24.9	(2,133)
(1,242)	(353)	Net increase in advances	(233)	(446)	213	47.8	(1,125)
(1,292)	(728)	Net purchase of investments	(568)	(667)	99	14.8	(1,160)
-	-	Forecast for future new capital spending	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	-	-	-	350
(13,343)	(13,184)	Residual cash	(10,574)	(10,398)	(176)	(1.7)	(13,636)
Financed by:							
(4,791)	2,083	Other net sale/(purchase) of marketable securities and deposits	9,655	9,561	94	1.0	6,517
(18,134)	(11,101)	Total operating and investing activities	(919)	(837)	(82)	(9.8)	(7,119)
Used in:							
(1,835)	(338)	Net (repayment)/issue of other New Zealand dollar borrowing	7,870	6,976	894	12.8	9,521
1,661	2,396	Net (repayment)/issue of foreign currency borrowing	(6,019)	(5,379)	(640)	(11.9)	(7,773)
234	668	Issues of circulating currency	721	36	685	-	89
(861)	(284)	Decrease/(increase) in cash	(1,593)	(1,088)	(505)	(46.4)	(1,250)
(801)	2,442		979	545	434	79.6	587
(18,935)	(8,659)	Net cash inflow/(outflow) to be offset by domestic bonds	60	(292)	352	120.5	(6,532)
Gross Cash Proceeds from Domestic Bonds							
19,468	8,650	Domestic bonds (market)	8,837	8,968	(131)	(1.5)	15,422
270	219	Domestic bonds (non-market)	-	-	-	-	448
19,738	8,869	Total gross cash proceeds from domestic bonds	8,837	8,968	(131)	(1.5)	15,870
-	-	Repayment of domestic bonds (market)	(7,602)	(7,602)	-	-	(7,602)
(803)	(210)	Repayment of domestic bonds (non-market)	(1,295)	(1,074)	(221)	(20.6)	(1,736)
(803)	(210)	Total repayment of domestic bonds	(8,897)	(8,676)	(221)	(2.5)	(9,338)
18,935	8,659	Net (repayments of)/cash proceeds from domestic bonds	(60)	292	(352)	(120.5)	6,532

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: Sale of AMI

On 16 December 2011, the conditional sale of AMI Insurance to IAG was announced for \$380 million. As part of the deal, the Crown will retain ownership of AMI Insurance's Canterbury earthquake related claims in a new Crown company.

Any gain from the sale to IAG should it become unconditional will have a positive impact on the Crown's operating balance (but not OBEGAL).

NOTE 20: Earthquakes

Beginning 23 December 2011, the Canterbury region experienced a further series of significant earthquakes and the Crown is expected to incur additional costs as a result.

The initial assessment is that there has been some new damage to residential property covered by EQC as a result of these earthquakes, but that the damage has largely been confined to areas that were already damaged.

While the financial effect on the Crown of these events cannot be reliably measured at this stage, they are expected to result in increased insurance expenses and to weaken the Crown's fiscal position.