

Financial Statements of the Government of New Zealand

For the Eight Months Ended
29 February 2012



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New Zealand Government

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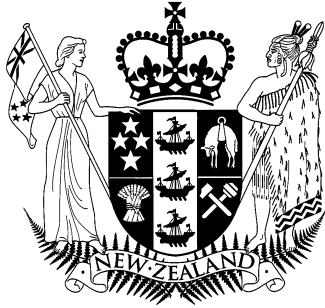
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance over the eight months ended 29 February 2012 and its financial position as at that date.

The February 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 eight months ended 29 February 2012 compared to PREFU

\$ million	Year to date				Full Year
	February 2012	February 2012	Variance to PREFU	Variance to PREFU	June 2012
	Actual ¹	PREFU Forecast ¹	\$m	%	PREFU Forecast ²
Core Crown					
Core Crown tax revenue	35,352	36,177	(825)	(2.3)	55,451
Core Crown revenue	38,420	39,587	(1,167)	(2.9)	61,165
Core Crown expenses	45,150	46,549	1,399	3.0	74,460
Core Crown residual cash	(8,322)	(8,695)	373	4.3	(13,638)
Gross debt ³	75,984	76,312	329	0.4	79,779
<i>as a percentage of GDP</i>	37.2%	37.3%			37.7%
Net debt ⁴	48,991	49,394	403	0.8	53,823
<i>as a percentage of GDP</i>	24.0%	24.2%			25.4%
Total Crown					
Operating balance before gains and losses	(5,532)	(5,137)	(395)	(7.7)	(10,809)
Operating balance	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)
Net worth	72,183	73,213	(1,030)	(1.4)	68,282

1 Using GDP for the year ended 31 December 2011 of \$204,503 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 eight months ended 29 February 2012

For the first eight months of the year the **operating balance before gains and losses (OBEGAL)** deficit was \$395 million higher than forecast at \$5.5 billion. Core Crown expenditure was \$1.4 billion below forecast, offset by core Crown revenue which was \$1.2 billion below forecast. In addition, since the PREFU there has been an increase in EQC's expenses, net of reinsurance, of \$500 million following a revision of its estimated liability in relation to the Canterbury earthquakes. Most of the increase (\$450 million) related to the 23 December 2011 earthquake - \$290 million of this was first booked in the 31 January Financial Statements published last month.

The lower-than-expected core Crown revenue was primarily due to **core Crown tax revenue** (\$35.4 billion) which was \$825 million lower-than-forecast, an improvement from the \$946 million variance last month. However, the three main tax-types continued to be below forecast. The specific drivers were:

- Source deductions - \$200 million below forecast as the labour market and employment and wage growth have been weaker than expected.
- GST - \$369 million below forecast because earthquake-related insurance refunds continued to be above forecast. However, the GST base (excluding these refunds) was close to forecast.
- Corporate tax - \$193 million below forecast as business profitability was weaker than expected.

February's year-to-date tax revenue result is consistent with expectations that full-year tax revenue will be below PREFU forecasts, as indicated in the Budget Policy Statement released on 16 February 2012.

Core Crown expenses of \$45.2 billion were 3.0% below forecast. The lower than forecast expenditure was either offset by similar reductions in revenue, or a result of delays in expenditure.

While the OBEGAL deficit was \$395 million higher than forecast, the **operating balance** deficit at \$8.8 billion was \$1.3 billion (16.5%) higher than forecast. In addition to the OBEGAL result, higher than forecast actuarial losses on the GSF (\$1.0 billion) and ACC liabilities (\$329 million) contributed to the variance. The actuarial losses were partially offset by losses on investment portfolios across the Crown being \$629 million lower than forecast due to a rebound in global equities in February.

The **residual cash** deficit and **net debt** were largely in line with forecast. Net debt was \$49.0 billion (24.0% of GDP).

Further analysis of the February results follows.

ANALYSIS

Table 2 – Key indicator variances for the eight months ended 29 February 2012 compared to *PREFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	-\$1,167 million (lower than forecast)	<p>Core Crown tax revenue was \$825m or 2.3% lower than forecast. The three largest tax-types continued to account for the bulk of the difference:</p> <ul style="list-style-type: none"> • GST revenue was \$369m (3.7%) below forecast. Earthquake-related GST refunds to insurance companies continue to account for most of this variance. The GST base (excluding insurance refunds) was close to forecast. • Source deductions were \$200m (1.4%) below forecast. In February, PAYE was above forecast, reversing some of the previous month's shortfalls. The labour market remains slightly weaker than expected and both wage growth and employment were below <i>PREFU</i> forecasts. As a result it is expected a \$200-\$300m difference from forecast will continue to year end. • Corporate tax revenue was \$193m (3.7%) below forecast. Business profits have been lower than expected, resulting in lower than forecast provisional tax. <p>In addition to the tax revenue result, other core Crown revenue was also under forecast, by \$342m. This was due to two factors: a review of child support penalties led to the reversal of \$287m in penalties; and a fall in the carbon price used to value surrendered units meant Emissions Trading Scheme (ETS) revenue was \$131m below forecast. Both of these items were offset by lower than forecast expenses, (\$258m and \$375m respectively). The expense differences are detailed below.</p>
Core Crown expenses	\$1,399 million (lower than forecast)	<p>Core Crown expenses were 3.0% lower than forecast. There were six key drivers:</p> <ul style="list-style-type: none"> • The cost of units allocated under the ETS were \$375m lower than expected primarily due to a decrease in the carbon price of units. The price has fallen from a forecast of NZ\$15.90 per tonne to NZ\$10.40 as at 29 February. The decrease in price also had an impact on ETS revenue for surrendered units which was \$131m lower than forecast by 29 February (refer above). • Impairment of child support debt was \$258m lower than forecast due to the review of child support penalties (as mentioned above). • Education expenses were \$148m lower than forecast mainly due to an omission in the Ministry of Education's month-by-month forecasts relating to teacher's holiday pay. This is a seasonal factor and should reverse in coming months. • A number of Treaty settlement deeds totalling around \$171m were behind schedule but are still expected to be finalised later in the year. • Expenditure on transport projects was behind schedule by \$141m. The Auckland Rail Development (ARD), the National Land Transport Programme (NLTP) and the Metro Rail Rolling Stock Project were all behind forecast (\$66m, \$39m and \$36m respectively). A number of factors contributed to the rail underspends including subcontractor and tender delays. The NLTP was underspent due to revisions in funding Auckland's transport projects from the NLTP.

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 (continued)		<ul style="list-style-type: none"> Core Government services expenditure was \$138m lower than forecast. \$76m was due to delays in demolition work in Christchurch with continued aftershocks. These costs are expected to be incurred as the demolition work progresses. <p>The remainder of the difference was made up of small variances across a number of departments.</p>
Core Crown residual cash deficit	\$373 million (lower than forecast)	<p>At \$8,322m, the core Crown residual cash deficit was \$373m lower than forecast. The difference was mainly due to operating and capital spending being \$1,099m lower than forecast, which was partially offset by tax receipts being \$708m lower-than-expected.</p> <p>The lower operating payments (\$409m) were consistent with core Crown expenses being below forecast. While expenses were \$1,399m below forecast, the IRD and ETS items were non-cash (\$633m of the total expense difference).</p> <p>Capital expenditure was \$690m below forecast, with the difference expected to persist to the end of the financial year. The key differences were:</p> <ul style="list-style-type: none"> net purchases of physical assets were \$341m lower than forecast, largely due to delays in payments for defence (\$211m) assets; and expected advances by the NZ Debt Management Office to DHBs and NZTA of \$290m were not drawn.
Gross debt	\$329 million (lower than forecast)	<p>Gross debt at \$75,984m was 0.4% lower than forecast. There were a number of contributors to the variance:</p> <ul style="list-style-type: none"> Government stock issued by the NZ Debt Management Office (DMO) was \$1,326m lower than forecast partly due to seasonally weak demand (\$1,190m) and also due to repurchasing more stock than expected from EQC (\$136m). DMO's collateral deposits from counterparties for derivative contracts were \$302m 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 to offset credit exposure. Reserve Bank's bond lending (borrowing) was \$205m lower than expected due to fewer US Treasury securities available to the bank for use as collateral. (Instead of investing in US Treasury securities at the current low yields, higher levels of USD cash were held by Reserve Bank.) Fewer Treasury bills were issued than forecast (\$207m) due to slightly weaker demand than expected. <p>These were partly offset by:</p> <ul style="list-style-type: none"> Reserve Bank's unsettled trades of \$1,754m at 29 February. These are short-term positions that are not forecast that typically settle in the next few days, and are offset by a higher holding of cash. All the differences outlined were net debt neutral because they were offset by corresponding differences in holdings of financial assets.
Net debt	\$403 million (lower than forecast)	<p>Net debt at \$48,991m was close to forecast, 0.8% lower than expected.</p>

Item/indicator	Variance	Key drivers
Total Crown		
Operating balance before gains and losses deficit	-\$395 million (higher than forecast)	<p>The OBEGAL deficit at \$5,532m was \$395m higher than forecast.</p> <p>The key driver was an increase in EQC's expenses since <i>PREFU</i>, net of reinsurance, of \$500m following a revision of its estimated liability in relation to the Canterbury earthquakes. Most of the increase (\$450m) related to the 23 December 2011 earthquake - \$290m of this was first booked in the 31 January Financial Statements published last month.</p>
Operating balance deficit	-\$1,251 million (higher than forecast)	<p>In addition to the \$395m OBEGAL variance detailed above, actuarial losses were \$1,368m above forecast, but were slightly offset by lower-than-forecast investment losses (\$629m).</p> <ul style="list-style-type: none"> • Unforecast actuarial losses of \$1,039m on the GSF liability were recognised in October. These losses were mainly due to an increase in the allowance for future mortality rate improvements, (\$932m) which caused the GSF liability to increase. • The year-to-date actuarial losses on ACC's liability for outstanding claims were \$329m higher than forecast (a \$392m clawback from last month). The losses were largely due to a decrease in the discount rate used to calculate the present value of expected claims payments, partially offset by favourable claims experience. <p>Net losses on investment portfolios were \$629m lower-than-forecast, mostly due to NZSF recording cumulative net gains for the eight months of \$39m compared with forecast net losses of \$825m.</p>
Net worth	-\$1,030 million (lower than forecast)	<p>Net worth was lower than forecast, reflecting the higher-than-forecast operating balance deficit, as detailed above.</p>

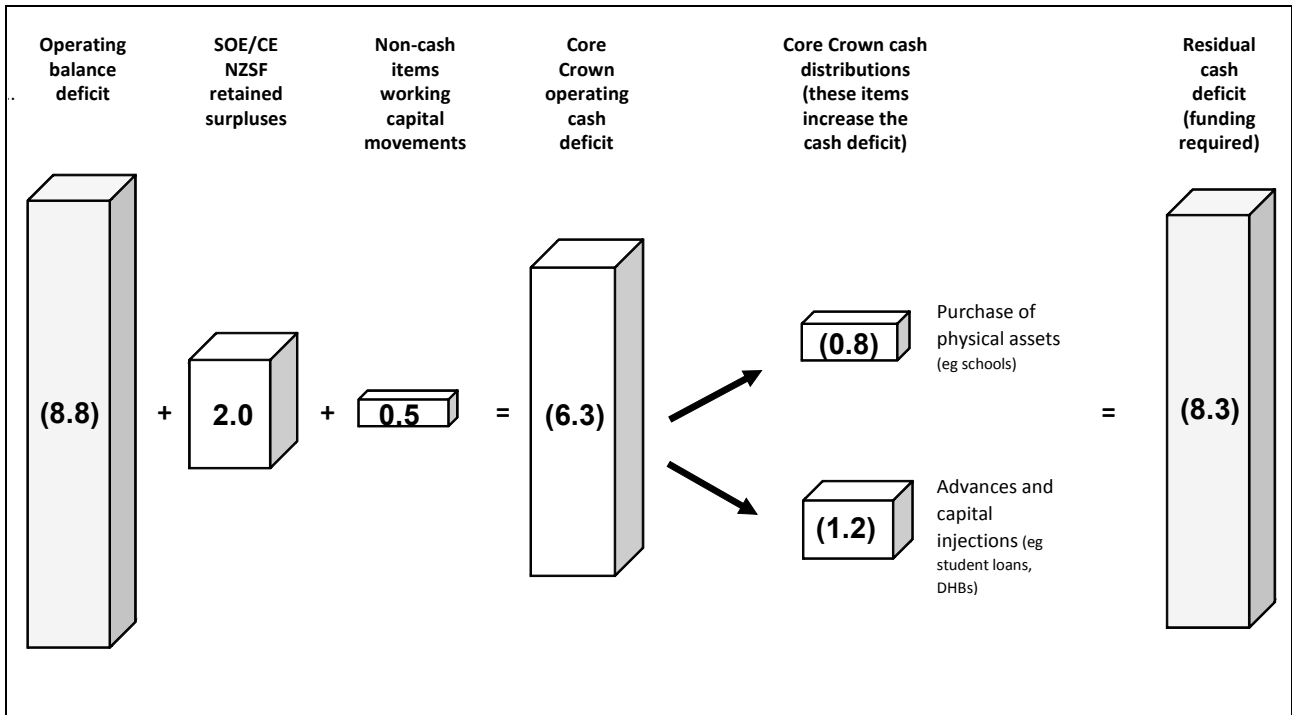
Table 3 – Fiscal Strategy and financial results

Fiscal Strategy		Financial Results		Ref	29 Feb 2012 Actual \$m	29 Feb 2012 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
		Taxation as a % of GDP		1	25.9%	26.5%			26.2%
Operating revenue Ensure sufficient revenue to meet the operating balance objective		Core Crown taxation revenue ...			35,352	36,177	(825)	(2.3)	55,451
		... combined with other core Crown revenue ...			3,068	3,410	(342)	(10.0)	5,714
		... fund core Crown expenses...			(45,150)	(46,549)	1,399	3.0	(74,460)
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to 30% of GDP.		... and with SOE and Crown entity results and core Crown gains and losses...			(2,110)	(627)	(1,483)	(236.5)	694
		... result in an operating surplus or deficit...			(8,840)	(7,589)	(1,251)	(16.5)	(12,601)
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		...with income in SOEs, CEs and the NZS Fund retained...			2,024	188	1,836	-	(1,182)
		... and some items do not impact cash ...			548	1,450	(902)	(62.2)	4,455
		... leaving operating cash flows to ...			(6,268)	(5,951)	(317)	(5.3)	(9,328)
		... meet the capital expenditure budget ...			(852)	(1,143)	291	25.5	(2,025)
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		... and make advances (e.g. to students and DHBs)			(1,202)	(1,601)	399	24.9	(2,285)
		With the residual cash ...			(8,322)	(8,695)	373	4.3	(13,638)
		... 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 ...			541	571	30	5.3	57
		... results in a closing net debt ...			48,991	49,394	403	0.8	53,823
		... and as a % of GDP			24.0%	24.2%			25.4%

¹ GDP for the eight months ended 29 February 2012 (actual and forecast) is the actual data for the year ended 31 December 2011 (Source: Statistics New Zealand) pro-rated for eight 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

	February 2012	February 2011	Change ¹	Change
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	35,352	33,705	1,647	4.9
Other revenue	3,068	2,869	199	6.9
Total Core Crown Revenue	38,420	36,574	1,846	5.0
Core Crown expenses				
Social security and welfare	14,702	14,181	521	3.7
GSF pension expenses	124	206	(82)	(39.8)
Health	9,367	9,097	270	3.0
Education	7,670	7,521	149	2.0
Core government services	2,681	2,534	147	5.8
Law and order	2,228	2,204	24	1.1
Defence	1,134	1,180	(46)	(3.9)
Transport and communications	1,421	1,482	(61)	(4.1)
Economic and industrial services	1,448	1,685	(237)	(14.1)
Primary services	401	440	(39)	(8.9)
Heritage, culture and recreation	1,079	1,292	(213)	(16.5)
Housing and community development	219	234	(15)	(6.4)
Other	279	295	(16)	(5.4)
Finance costs	2,397	1,942	455	23.4
Total Core Crown Expenses	45,150	44,293	857	1.9
Net surplus of SOE/CE's (and inter-segment eliminations)	1,198	(1,468)	2,666	181.6
OBEGAL	(5,532)	(9,187)	3,655	39.8
Total gains/(losses)	(3,446)	6,549	(9,995)	(152.6)
Other operating items	138	157	(19)	(12.1)
Operating Balance	(8,840)	(2,481)	(6,359)	(256.3)
Core Crown residual cash	(8,322)	(10,828)	2,506	23.1
Debt indicators				
Gross debt²	75,984	63,361	12,623	19.9
Net debt³	48,991	37,591	11,400	30.3

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 eight months ended 29 February 2012 increased by \$1.6 billion (4.9%) on the same period last year. GST was the largest contributor (\$622 million) to the rise as the increase in the rate of GST in October 2010 continues to flow into tax outturns. The next highest contributors were corporate tax and other individuals' tax, up \$509 million (11.2%) and \$375m (22.5%) respectively, as profitability continues to recover following the 2008/09 recession.

Total **core Crown expenses** increased by \$857 million (1.9%) 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
Social security and welfare	+ \$521 million	<ul style="list-style-type: none">• Indexation of welfare benefits and higher beneficiary recipient numbers.
Finance costs	+ \$455 million	<ul style="list-style-type: none">• A result of increased debt levels.
Health	+ \$270 million	<ul style="list-style-type: none">• Funding provided in the 2011 Budget to maintain and improve existing service levels.
Economic and industrial services	- \$237 million	<ul style="list-style-type: none">• A reduction in KiwiSaver Member Tax Credits in the 2011 Budget.
Heritage, culture and recreation	- \$213 million	<ul style="list-style-type: none">• Reductions in the carbon price over the last 12 months have reduced the cost of units allocated under the ETS.
Other functional classes	+ \$61 million	
Total	+ \$857 million	

The **surplus of SOE/CE's** was \$1,198 million in the first eight months of this year, compared to a \$1,468 million deficit in the first eight 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 \$3,446 million in the eight months to February 2012 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 eight months of the 2010/11 financial year resulted in total gains of \$6,549 million to 28 February 2011.

Debt

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



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

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 eight months ended 29 February 2012

Year to 30 Jun 2011	8 months to 28 Feb 2011		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
51,128	33,354	Taxation revenue	1	35,008	35,852	(844)	(2.4)	54,957
5,281	3,306	Other sovereign revenue	1	3,370	3,653	(283)	(7.7)	5,563
56,409	36,660	Total Revenue Levied through the Crown's Sovereign Power		38,378	39,505	(1,127)	(2.9)	60,520
15,084	9,917	Sales of goods and services		10,931	10,858	73	0.7	16,825
2,570	1,561	Interest revenue and dividends	2	1,777	1,824	(47)	(2.6)	2,814
7,500	5,220	Other revenue		2,591	2,097	494	23.6	3,478
25,154	16,698	Total revenue earned through the Crown's operations		15,299	14,779	520	3.5	23,117
81,563	53,358	Total revenue (excluding gains)		53,677	54,284	(607)	(1.1)	83,637
		Expenses						
22,172	14,515	Social assistance and official development assistance	3	14,705	14,783	78	0.5	22,580
19,088	12,461	Personnel expenses	4	12,798	12,913	115	0.9	19,536
4,682	2,815	Depreciation and amortisation	5	3,494	3,519	25	0.7	4,562
35,829	22,045	Other operating expenses	5	22,417	23,643	1,226	5.2	40,685
3,596	2,549	Interest expenses	6	2,686	2,589	(97)	(3.7)	3,959
14,592	8,160	Insurance expenses	7	3,109	2,235	(874)	(39.1)	3,751
-	-	Forecast new operating spending	5	-	-	-	-	473
-	-	Top-down expense adjustment	5	-	(261)	(261)	(100.0)	(1,100)
99,959	62,545	Total expenses (excluding losses)		59,209	59,421	212	0.4	94,446
(18,396)	(9,187)	Operating balance before gains/(losses)		(5,532)	(5,137)	(395)	(7.7)	(10,809)
4,619	5,165	Net gains/(losses) on financial instruments	8	(16)	(645)	629	97.5	(4)
79	1,384	Net gains/(losses) on non-financial instruments	9	(3,430)	(1,983)	(1,447)	(73.0)	(2,064)
4,698	6,549	Total gains/(losses)		(3,446)	(2,628)	(818)	(31.1)	(2,068)
237	158	Net surplus/(deficit) from associates and joint ventures		139	176	(37)	(21.0)	276
(13,461)	(2,480)	Operating balance from continuing activities		(8,839)	(7,589)	(1,250)	(16.5)	(12,601)
-	(1)	(1) Gain/(loss) from discontinued operations		(1)	-	(1)	-	-
(13,461)	(2,481)	Operating balance (including minority interest)		(8,840)	(7,589)	(1,251)	(16.5)	(12,601)
101	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(13,360)	(2,481)	Operating balance	10	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)

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

STATEMENT OF COMPREHENSIVE INCOME

for the eight months ended 29 February 2012

Year to 30 Jun 2011 Actual \$m	8 months to 28 Feb 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(13,461)	(2,481)	Operating Balance (including minority interest)	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)
		Other comprehensive income					
(443)	(46)	Revaluation of physical assets	3	(90)	93	103.3	-
(252)	(105)	Effective portion of changes in value of cash flow hedges	146	6	140	-	7
17	(16)	Net change in fair value of cash flow hedges transferred to operating balance	1	1	-	-	1
95	5	Net change in fair value of cash flow hedges transferred to the hedged item	(20)	-	(20)	-	(21)
(37)	72	Foreign currency translation differences for foreign operations	4	3	1	33.3	6
(1)	3	Valuation gains/(losses) on investments available for sale taken to reserves	3	(7)	10	142.9	3
1	(2)	Other movements	(1)	2	(3)	(150.0)	-
(620)	(89)	Total other comprehensive income	136	(85)	221	260.0	(4)
(14,081)	(2,570)	Total comprehensive income	(8,704)	(7,674)	(1,030)	(13.4)	(12,605)
		Attributable to:					
(74)	-	- minority interest in Air New Zealand	-	-	-	-	-
(14,007)	(2,570)	- the Crown	(8,704)	(7,674)	(1,030)	(13.4)	(12,605)
(14,081)	(2,570)	Total comprehensive income	(8,704)	(7,674)	(1,030)	(13.4)	(12,605)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the eight months ended 29 February 2012

Year to 30 Jun 2011 Actual \$m	8 months to 28 Feb 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
25,324	16,349	Social security and welfare	16,874	17,247	373	2.2	26,047
311	210	GSF pension expenses	129	140	11	7.9	210
13,068	8,656	Health	8,994	8,951	(43)	(0.5)	13,809
12,406	8,129	Education	8,301	8,492	191	2.2	13,052
5,515	2,489	Core government services	2,580	2,736	156	5.7	7,018
3,567	2,329	Law and order	2,347	2,422	75	3.1	3,823
1,778	1,161	Defence	1,105	1,219	114	9.4	1,856
8,402	5,406	Transport and communications	5,584	5,815	231	4.0	8,943
18,818	10,956	Economic and industrial services	6,546	5,307	(1,239)	(23.3)	8,884
1,603	1,123	Primary services	1,038	1,160	122	10.5	1,710
3,437	2,198	Heritage, culture and recreation	2,026	2,369	343	14.5	3,898
1,655	695	Housing and community development	720	739	19	2.6	1,158
479	295	Other	279	496	217	43.8	706
3,596	2,549	Finance costs	2,686	2,589	(97)	(3.7)	3,959
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(261)	(261)	(100.0)	(1,100)
99,959	62,545	Total Crown expenses excluding losses	59,209	59,421	212	0.4	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 Actual \$m	8 months to 28 Feb 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,005	14,181	Social security and welfare	14,702	14,971	269	1.8	22,560
305	206	GSF pension expenses	124	134	10	7.5	201
13,753	9,097	Health	9,367	9,381	14	0.1	14,350
11,650	7,521	Education	7,670	7,818	148	1.9	12,269
5,563	2,534	Core government services	2,681	2,819	138	4.9	7,138
3,382	2,204	Law and order	2,228	2,302	74	3.2	3,635
1,809	1,180	Defence	1,134	1,245	111	8.9	1,903
2,281	1,482	Transport and communications	1,421	1,564	143	9.1	2,468
2,609	1,685	Economic and industrial services	1,448	1,490	42	2.8	2,529
706	440	Primary services	401	454	53	11.7	783
1,966	1,292	Heritage, culture and recreation	1,079	1,442	363	25.2	2,490
876	234	Housing and community development	219	261	42	16.1	400
479	295	Other	279	496	217	43.8	706
3,066	1,942	Finance costs	2,397	2,433	36	1.5	3,655
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(261)	(261)	(100.0)	(1,100)
70,450	44,293	Core Crown expenses excluding losses	45,150	46,549	1,399	3.0	74,460

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

STATEMENT OF CASH FLOWS

for the eight months ended 29 February 2012

Year to 30 Jun 2011 Actual \$m	8 months to 28 Feb 2011 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	32,688	Taxation receipts	34,529	35,142	(613)	(1.7)	54,070
4,693	3,334	Other sovereign receipts	3,402	3,425	(23)	(0.7)	4,884
14,899	10,120	Sales of goods and services	11,020	10,776	244	2.3	16,424
2,682	1,757	Interest and dividends	1,749	1,677	72	4.3	2,602
2,990	1,885	Other operating receipts	2,770	2,630	140	5.3	5,164
75,682	49,784	Total cash provided from operations	53,470	53,650	(180)	(0.3)	83,144
		Cash was disbursed to					
		Social assistance and official development assistance	15,606	15,720	114	0.7	23,089
22,172	15,054	Personnel and operating payments	39,865	39,819	(46)	(0.1)	62,029
55,152	37,502	Interest payments	2,278	2,164	(114)	(5.3)	4,100
3,107	1,728	Forecast new operating spending	-	-	-	-	623
-	-	Top-down expense adjustment	-	(261)	(261)	(100.0)	(1,100)
-	-						
80,431	54,284	Total cash disbursed to operations	57,749	57,442	(307)	(0.5)	88,741
(4,749)	(4,500)	Net cash flows from operations	(4,279)	(3,792)	(487)	(12.8)	(5,597)
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,996)	(4,425)	Net purchase of physical assets	(3,947)	(4,992)	1,045	20.9	(7,841)
(8,405)	(990)	Net purchase of shares and other securities	(4,174)	1,333	(5,507)	(413.1)	(2)
(600)	(270)	Net purchase of intangible assets	(331)	(319)	(12)	(3.8)	(582)
(1,003)	446	Net (issue)/repayment of advances	(732)	(1,170)	438	37.4	(1,673)
173	41	Net acquisition of investments in associates	28	8	20	250.0	(30)
-	-	Capital contingency provision	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	50	(50)	(100.0)	350
(15,831)	(5,198)	Net cash flows from investing activities	(9,156)	(5,090)	(4,066)	(79.9)	(10,020)
(20,580)	(9,698)	Net cash flows from operating and investing activities	(13,435)	(8,882)	(4,553)	(51.3)	(15,617)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	359	Issues of circulating currency	238	53	185	349.1	89
21,088	10,276	Net issue/(repayment) of Government stock ¹	12,950	5,265	7,685	146.0	10,312
1,809	1,453	Net issue/(repayment) of foreign currency borrowing	(6,480)	(6,888)	408	5.9	(7,720)
81	(1,676)	Net issue/(repayment) of other New Zealand dollar borrowing	11,128	10,863	265	2.4	12,454
23,212	10,412	Net cash flows from financing activities	17,836	9,293	8,543	91.9	15,135
2,632	714	Net movement in cash	4,401	411	3,990	-	(482)
7,774	7,774	Opening Cash Balance	9,801	9,801	-	-	9,801
		Foreign-exchange gains/(losses) on opening cash	(23)	(135)	112	83.0	(134)
(605)	(192)						
9,801	8,296	Closing Cash Balance	14,179	10,077	4,102	40.7	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 eight months ended 29 February 2012

Year to 30 Jun 2011 Actual \$m	8 months to 28 Feb 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)	(4,500)	Net Cash Flows from Operations	(4,279)	(3,792)	(487)	(12.8)	(5,597)
		<i>Items included in the operating balance but not in net cash flows from operations.</i>					
		Gains/(losses)					
4,619	5,165	Gains/(losses) on other financial instruments	(16)	(645)	629	97.5	(4)
79	1,384	Gains/(losses) on other non-financial instruments	(3,430)	(1,983)	(1,447)	(73.0)	(2,064)
4,698	6,549	Total gains/(losses)	(3,446)	(2,628)	(818)	(31.1)	(2,068)
Other Non-cash Items in Operating Balance							
(4,682)	(2,815)	Depreciation and amortisation	(3,494)	(3,519)	25	0.7	(4,562)
(807)	(511)	Write-down on initial recognition of loans impairment on financial assets	(554)	(471)	(83)	(17.6)	(798)
105	43	(excluding receivables)	54	53	1	1.9	79
358	229	Decrease/(increase) in defined benefit retirement plan liabilities	338	287	51	17.8	475
(13,179)	(4,158)	Decrease/(increase) in insurance liabilities	2,105	2,875	(770)	(26.8)	2,460
238	162	Other	140	174	(34)	(19.5)	281
(17,967)	(7,050)	Total other non-cash Items	(1,411)	(601)	(810)	(134.8)	(2,065)
Movements in Working Capital							
6,605	2,133	Increase/(decrease) in receivables	(1,925)	(3,217)	1,292	40.2	(1,532)
(599)	(1,016)	Increase/(decrease) in accrued interest	(380)	(277)	(103)	(37.2)	353
149	120	Increase/(decrease) in inventories	8	15	(7)	(46.7)	11
39	174	Increase/(decrease) in prepayments	130	6	124	-	4
(46)	(42)	Decrease/(increase) in deferred revenue	42	84	(42)	(50.0)	164
(1,490)	1,151	Decrease/(increase) in payables/provisions	2,421	2,821	(400)	(14.2)	(1,871)
4,658	2,520	Total movements in working capital	296	(568)	864	152.1	(2,871)
(13,360)	(2,481)	Operating Balance	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)

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

STATEMENT OF CHANGES IN NET WORTH

for the eight months ended 29 February 2012

Year to 30 Jun 2011 Actual \$m	8 months to 28 Feb 2011 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)	(2,481)	Operating balance (including minority interest)	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)
(443)	(46)	Net revaluations	3	(90)	93	103.3	-
(279)	(102)	Transfers to/(from) reserves (Gains)/losses transferred to the	149	(1)	150	-	7
17	(16)	statement of financial performance	1	1	-	-	1
85	75	Other movements	(17)	5	(22)	(440.0)	(12)
(14,081)	(2,570)	Total comprehensive income	(8,704)	(7,674)	(1,030)	(13.4)	(12,605)
(20)	-	Transactions with minority interest in Air New Zealand	-	-	-	-	-
80,887	92,418	Closing net worth	72,183	73,213	(1,030)	(1.4)	68,282

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

STATEMENT OF FINANCIAL POSITION

as at 29 February 2012

As at 30 Jun 2011 Actual \$m	As at 28 Feb 2011 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
9,801	8,296	Cash and cash equivalents	11	14,179	10,077	4,102	40.7	9,185
21,690	17,604	Receivables	11	18,820	18,109	711	3.9	18,798
49,056	43,759	Marketable securities, deposits and derivatives in gain	11	44,253	42,977	1,276	3.0	42,497
14,248	14,340	Share investments	11	14,175	17,148	(2,973)	(17.3)	18,443
20,567	19,479	Advances	11	21,170	21,531	(361)	(1.7)	22,181
1,308	1,280	Inventory		1,316	1,324	(8)	(0.6)	1,320
1,996	1,862	Other assets		2,132	1,972	160	8.1	1,946
114,854	115,034	Property, plant & equipment	12	116,269	117,358	(1,089)	(0.9)	119,067
9,301	9,287	Equity accounted investments ¹		9,772	9,819	(47)	(0.5)	9,689
2,394	2,224	Intangible assets and goodwill ²		2,322	2,471	(149)	(6.0)	2,597
-	-	Forecast for new capital spending		-	-	-	-	242
-	-	Top-down capital adjustment		-	(50)	50	100.0	(350)
245,215	233,165	Total assets		244,408	242,736	1,672	0.7	245,615
Liabilities								
4,254	4,380	Issued currency		4,493	4,325	(168)	(3.9)	4,361
11,099	8,221	Payables	14	12,277	10,971	(1,306)	(11.9)	12,303
1,674	1,670	Deferred revenue		1,633	1,590	(43)	(2.7)	1,510
90,245	81,128	Borrowings		96,539	97,011	472	0.5	101,237
39,314	30,263	Insurance liabilities	15	38,835	37,736	(1,099)	(2.9)	38,272
10,156	9,423	Retirement plan liabilities		11,757	10,770	(987)	(9.2)	10,581
7,586	5,662	Provisions	16	6,691	7,120	429	6.0	9,069
164,328	140,747	Total liabilities		172,225	169,523	(2,702)	(1.6)	177,333
80,887	92,418	Total assets less total liabilities		72,183	73,213	(1,030)	(1.4)	68,282
Net Worth								
18,188	28,754	Taxpayer funds	17	9,485	10,626	(1,141)	(10.7)	5,631
62,690	63,397	Revaluation reserve	17	62,555	62,575	(20)	-	62,646
(299)	(135)	Other reserves	17	(165)	(296)	131	44.3	(303)
80,579	92,016	Total net worth attributable to the Crown		71,875	72,905	(1,030)	(1.4)	67,974
308	402	Net worth attributable to minority interest in Air New Zealand		308	308	-	-	308
80,887	92,418	Total net worth		72,183	73,213	(1,030)	(1.4)	68,282

¹ Tertiary education institutions constitute most equity accounted investments.

² Intangible assets include the Kyoto net asset of \$173 million.

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

STATEMENT OF BORROWINGS

as at 29 February 2012

As at 30 Jun 2011 Actual \$m	As at 28 Feb 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
46,018	38,348	Government stock ¹	47,433	49,022	1,589	3.2	52,630
7,028	7,158	Treasury bills	8,464	8,698	234	2.7	8,997
261	270	Government retail stock	248	259	11	4.2	258
6,276	6,736	Settlement deposits with Reserve Bank	7,240	5,429	(1,811)	(33.4)	5,429
2,767	2,192	Derivatives in loss	2,757	2,967	210	7.1	2,638
1,176	846	Finance lease liabilities	1,093	1,104	11	1.0	1,556
26,719	25,578	Other borrowings	29,304	29,532	228	0.8	29,729
90,245	81,128	Total borrowings	96,539	97,011	472	0.5	101,237
67,765	59,512	Sovereign-guaranteed debt	72,275	72,819	544	0.7	76,415
22,480	21,616	Non sovereign-guaranteed debt	24,264	24,192	(72)	(0.3)	24,822
90,245	81,128	Total borrowings	96,539	97,011	472	0.5	101,237
		Net Debt:					
76,885	68,619	Core Crown borrowings ²	82,528	81,084	(1,444)	(1.8)	84,636
405	(58)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(743)	(787)	(44)	(5.6)	(872)
77,290	68,561	Gross sovereign-issued debt³	81,785	80,297	(1,488)	(1.9)	83,764
65,400	58,777	Less core Crown financial assets ⁴	63,281	61,270	2,011	3.3	61,028
11,890	9,784	Net core Crown debt (incl NZS Fund)⁵	18,504	19,027	523	2.7	22,736
16,159	16,324	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	17,971	17,548	423	2.4	18,171
28,049	26,108	Net core Crown debt (excl NZS Fund)⁵	36,475	36,575	100	0.3	40,907
12,079	11,483	Core crown advances	12,516	12,819	303	2.4	12,916
40,128	37,591	Net core Crown debt (excl NZS Fund and advances)⁷	48,991	49,394	403	0.8	53,823
		Gross Debt:					
77,290	68,561	Gross sovereign-issued debt ³	81,785	80,297	(1,488)	(1.9)	83,764
(6,470)	(6,800)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,401)	(5,585)	1,817	32.5	(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	63,361	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	75,984	76,312	329	0.4	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 29 February 2012

	As at 29 Feb 2012 \$m	As at 30 Jun 2011 \$m	As at 28 Feb 2011 \$m
Capital Commitments			
Specialist military equipment	332	369	387
Land and buildings	621	701	801
Other property, plant and equipment	6,934	7,032	7,025
Other capital commitments	412	408	225
Tertiary Education Institutions	413	413	302
Total capital commitments	8,712	8,923	8,740
Operating Commitments			
Non-cancellable accommodation leases	2,784	2,909	2,879
Other non-cancellable leases	2,977	3,171	3,216
Non-cancellable contracts for the supply of goods and services	5,398	5,520	2,304
Other operating commitments	7,115	7,415	7,421
Tertiary Education Institutions	366	366	304
Total operating commitments	18,640	19,381	16,124
Total commitments	27,352	28,304	24,864
Total Commitments by Segment			
Core Crown	13,402	22,129	13,739
Crown entities	13,093	12,925	11,807
State-owned Enterprises	10,512	10,410	7,287
Inter-segment eliminations	(9,655)	(17,160)	(7,969)
Total commitments	27,352	28,304	24,864

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 29 February 2012

	As at 29 Feb 2012 \$m	As at 30 Jun 2011 \$m	As at 28 Feb 2011 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	81	78	103
Uncalled capital	5,079	4,033	4,377
Legal proceedings and disputes	359	331	400
Other contingent liabilities	2,221	2,699	3,381
Total quantifiable contingent liabilities	7,740	7,141	8,261
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,502	6,884	7,932
Crown entities	104	173	260
State-owned Enterprises	134	84	69
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,740	7,141	8,261
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	8 months to 28 Feb 2011 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	13,929	Source deductions	13,860	14,061	(201)	(1.4)	21,304
3,791	2,324	Other persons	2,730	2,749	(19)	(0.7)	4,290
(1,679)	(974)	Refunds	(997)	(945)	(52)	(5.5)	(1,616)
462	319	Fringe benefit tax	311	298	13	4.4	440
23,431	15,598	Total individuals	15,904	16,163	(259)	(1.6)	24,418
Corporate Tax							
6,687	3,983	Gross companies tax	4,507	4,773	(266)	(5.6)	8,025
(197)	(111)	Refunds	(104)	(141)	37	26.2	(260)
467	346	Non-resident withholding tax	325	310	15	4.8	427
-	(1)	Foreign-source dividend w/holding payments	4	(1)	5	-	-
6,957	4,217	Total corporate tax	4,732	4,941	(209)	(4.2)	8,192
Other Income Tax							
1,704	1,051	Resident w/holding tax on interest income	1,043	1,038	5	0.5	1,646
195	118	Resident w/holding tax on dividend income	170	134	36	26.9	207
2	1	Estate and gift duties	-	-	-	-	-
1,901	1,170	Total other income tax	1,213	1,172	41	3.5	1,853
32,289	20,985	Total income tax	21,849	22,276	(427)	(1.9)	34,463
Goods and Services Tax							
23,484	15,070	Gross goods and services tax	16,682	16,951	(269)	(1.6)	25,626
(9,776)	(6,162)	Refunds	(7,152)	(7,053)	(99)	(1.4)	(10,557)
13,708	8,908	Total goods and services tax	9,530	9,898	(368)	(3.7)	15,069
Other Taxation							
1,016	662	Road user charges	691	703	(12)	(1.7)	1,073
872	568	Petroleum fuels excise - domestic production	552	611	(59)	(9.7)	921
623	462	Alcohol excise - domestic production	440	478	(38)	(7.9)	712
220	142	Tobacco excise - domestic production	216	174	42	24.1	210
575	385	Petroleum fuels excise - imports ¹	408	406	2	0.5	640
229	159	Alcohol excise - imports ¹	169	172	(3)	(1.7)	245
924	635	Tobacco excise - imports ¹	707	684	23	3.4	956
188	132	Other customs duty	120	124	(4)	(3.2)	178
214	138	Gaming duties	148	152	(4)	(2.6)	224
172	113	Motor vehicle fees	115	112	3	2.7	168
62	41	Approved issuer levy and cheque duty	41	38	3	7.9	60
36	24	Energy resources levies	22	24	(2)	(8.3)	38
5,131	3,461	Total other indirect taxation	3,629	3,678	(49)	(1.3)	5,425
18,839	12,369	Total indirect taxation	13,159	13,576	(417)	(3.1)	20,494
51,128	33,354	Total taxation revenue	35,008	35,852	(844)	(2.4)	54,957
Other Sovereign Revenue (accrual)							
3,586	2,371	ACC levies	2,502	2,477	25	1.0	3,686
312	216	Fire Service levies	230	219	11	5.0	309
88	59	EQC levies	63	68	(5)	(7.4)	103
1,295	660	Other miscellaneous items	575	889	(314)	(35.3)	1,465
5,281	3,306	Total other sovereign revenue	3,370	3,653	(283)	(7.7)	5,563
56,409	36,660	Total sovereign revenue	38,378	39,505	(1,127)	(2.9)	60,520

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	8 months to 28 Feb 2011		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	14,002	Source deductions	13,850	14,191	(341)	(2.4)	21,212
4,386	2,403	Other persons	2,500	2,619	(119)	(4.5)	4,897
(2,463)	(1,720)	Refunds	(1,685)	(1,638)	(47)	(2.9)	(2,342)
457	338	Fringe benefit tax	326	317	9	2.8	439
23,079	15,023	Total individuals	14,991	15,489	(498)	(3.2)	24,206
Corporate Tax							
7,588	4,778	Gross companies tax	5,224	5,601	(377)	(6.7)	8,603
(772)	(471)	Refunds	(371)	(501)	130	25.9	(918)
462	346	Non-resident withholding tax	304	309	(5)	(1.6)	427
(1)	(2)	Foreign-source dividend w/holding payments	4	(1)	5	-	-
7,277	4,651	Total corporate tax	5,161	5,408	(247)	(4.6)	8,112
Other Income Tax							
1,701	1,083	Resident w/holding tax on interest income	1,089	1,068	21	2.0	1,645
196	119	Resident w/holding tax on dividend income	173	130	43	33.1	206
2	1	Estate and gift duties	-	-	-	-	-
1,899	1,203	Total other income tax	1,262	1,198	64	5.3	1,851
32,255	20,877	Total income tax	21,414	22,095	(681)	(3.1)	34,169
Goods and Services Tax							
22,162	13,895	Gross goods and services tax	16,469	15,856	613	3.9	24,370
(9,177)	(5,567)	Refunds	(7,066)	(6,518)	(548)	(8.4)	(9,896)
12,985	8,328	Total goods and services tax	9,403	9,338	65	0.7	14,474
Other Taxation							
1,015	660	Road user charges	694	703	(9)	(1.3)	1,073
869	585	Petroleum fuels excise - domestic production	574	611	(37)	(6.1)	921
625	432	Alcohol excise - domestic production	450	488	(38)	(7.8)	712
181	153	Tobacco excise - domestic production	223	178	45	25.3	210
2,005	1,364	Customs duty	1,452	1,401	51	3.6	2,019
216	140	Gaming duties	148	153	(5)	(3.3)	225
171	83	Motor vehicle fees	111	112	(1)	(0.9)	168
60	42	Approved issuer levy and cheque duty	38	39	(1)	(2.6)	61
36	24	Energy resources levies	22	24	(2)	(8.3)	38
5,178	3,483	Total other indirect taxation	3,712	3,709	3	0.1	5,427
18,163	11,811	Total indirect taxation	13,115	13,047	68	0.5	19,901
50,418	32,688	Total tax receipts collected	34,529	35,142	(613)	(1.7)	54,070
Other Sovereign Receipts (cash)							
3,612	2,607	ACC levies	2,590	2,710	(120)	(4.4)	3,712
312	216	Fire Service levies	230	219	11	5.0	309
88	62	EQC levies	63	66	(3)	(4.5)	135
681	449	Other miscellaneous items	519	430	89	20.7	728
4,693	3,334	Total other sovereign receipts	3,402	3,425	(23)	(0.7)	4,884
55,111	36,022	Total sovereign receipts	37,931	38,567	(636)	(1.6)	58,954

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	8 months to 28 Feb 2011		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	1,358	Interest revenue	1,503	1,493	10	0.7	2,272
428	203	Dividends	274	331	(57)	(17.2)	542
2,570	1,561	Total interest revenue and dividends	1,777	1,824	(47)	(2.6)	2,814
		<i>By source</i>					
2,169	919	Core Crown	1,069	1,197	(128)	(10.7)	2,039
1,234	602	Crown entities	744	931	(187)	(20.1)	1,325
801	463	State-owned Enterprises	566	545	21	3.9	828
(1,634)	(423)	Inter-segment eliminations	(602)	(849)	247	29.1	(1,378)
2,570	1,561	Total interest revenue and dividends	1,777	1,824	(47)	(2.6)	2,814
		NOTE 3: Social Assistance and Official Development Assistance					
8,830	5,779	New Zealand superannuation	6,296	6,299	3	-	9,597
1,757	1,163	Domestic purposes benefit	1,211	1,219	8	0.7	1,840
943	657	Unemployment benefit	621	599	(22)	(3.7)	860
1,306	866	Invalids benefit	884	881	(3)	(0.3)	1,327
2,139	1,410	Family tax credit	1,374	1,386	12	0.9	2,131
1,197	801	Accommodation supplement	802	802	-	-	1,199
743	490	Sickness benefit	517	511	(6)	(1.2)	770
620	355	Student allowances	375	377	2	0.5	634
409	273	Disability allowances	269	270	1	0.4	403
1,042	665	KiwiSaver	441	449	8	1.8	685
2,691	1,767	Other social assistance benefits	1,638	1,670	32	1.9	2,590
21,677	14,226	Total social assistance	14,428	14,463	35	0.2	22,036
495	289	Official development assistance	277	320	43	13.4	544
22,172	14,515	Total social assistance and official development assistance	14,705	14,783	78	0.5	22,580
		NOTE 4: Personnel Expenses					
5,996	3,893	Core Crown	3,859	3,940	81	2.1	6,011
10,410	6,822	Crown entities	7,095	7,118	23	0.3	10,724
2,695	1,752	State-owned Enterprises	1,851	1,861	10	0.5	2,811
(13)	(6)	Inter-segment eliminations	(7)	(6)	1	16.7	(10)
19,088	12,461	Total personnel expenses	12,798	12,913	115	0.9	19,536
		NOTE 5: Operating Expenses					
		<i>By type</i>					
4,682	2,815	Depreciation and amortisation	3,494	3,519	25	0.7	4,562
35,829	22,045	Other operating expenses	22,417	23,643	1,226	5.2	40,685
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(261)	(261)	(100.0)	(1,100)
40,511	24,860	Total operating expenses	25,911	26,901	990	3.7	44,620
		<i>By source</i>					
39,157	23,903	Core Crown	24,179	25,385	1,206	4.8	42,197
17,905	11,877	Crown entities	11,756	12,032	276	2.3	18,433
9,567	6,381	State-owned Enterprises	7,325	7,136	(189)	(2.6)	10,993
(26,118)	(17,301)	Inter-segment eliminations	(17,349)	(17,652)	(303)	(1.7)	(27,003)
40,511	24,860	Total operating expenses	25,911	26,901	990	3.7	44,620

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	8 months to 28 Feb 2011 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	2,516	Interest on financial liabilities	2,675	2,558	(117)	(4.6)	3,914
51	33	Interest unwind on provisions	11	31	20	64.5	45
3,596	2,549	Total interest expenses	2,686	2,589	(97)	(3.7)	3,959
		<i>By source</i>					
3,066	1,942	Core Crown	2,397	2,433	36	1.5	3,655
248	160	Crown entities	166	178	12	6.7	266
1,027	783	State-owned Enterprises	717	742	25	3.4	1,129
(745)	(336)	Inter-segment eliminations	(594)	(764)	(170)	(22.3)	(1,091)
3,596	2,549	Total interest expenses	2,686	2,589	(97)	(3.7)	3,959
		NOTE 7: Insurance Expenses					
		<i>By entity</i>					
2,979	1,982	ACC	1,903	1,997	94	4.7	3,129
11,776	6,154	EQC	945	73	(872)	-	427
(163)	24	Other insurance expenses	261	165	(96)	(58.2)	195
14,592	8,160	Total insurance expenses	3,109	2,235	(874)	(39.1)	3,751
		NOTE 8: Gains and Losses on Financial Instruments					
		<i>By source</i>					
4,116	3,880	Core Crown	367	(563)	930	165.2	36
1,058	1,415	Crown entities	342	(98)	440	449.0	32
(281)	36	State-owned Enterprises	(208)	(71)	(137)	(193.0)	(86)
(274)	(166)	Inter-segment eliminations	(517)	87	(604)	-	14
4,619	5,165	Net gains/(losses) on financial instruments	(16)	(645)	629	97.5	(4)
		NOTE 9: Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
(574)	288	Actuarial gains/(losses) on GSF liability	(1,939)	(900)	(1,039)	(115.4)	(900)
996	1,027	Actuarial gains/(losses) on ACC liability	(1,626)	(1,297)	(329)	(25.4)	(1,418)
(343)	69	Other	135	214	(79)	(36.9)	254
79	1,384	Net gains/(losses) on non-financial instruments	(3,430)	(1,983)	(1,447)	(73.0)	(2,064)
		<i>By source</i>					
(588)	265	Core Crown	(1,861)	(808)	(1,053)	(130.3)	(834)
931	1,016	Crown entities	(1,688)	(1,302)	(386)	(29.6)	(1,429)
(264)	104	State-owned Enterprises	119	128	(9)	(7.0)	199
-	(1)	Inter-segment eliminations	-	(1)	1	100.0	-
79	1,384	Net gains/(losses) on non-financial instruments	(3,430)	(1,983)	(1,447)	(73.0)	(2,064)
		NOTE 10: Operating Balance					
		<i>By source</i>					
(9,267)	(3,546)	Core Crown	(8,195)	(8,282)	87	1.1	(14,010)
(3,143)	870	Crown entities	(221)	139	(360)	(259.0)	538
327	643	State-owned Enterprises	287	715	(428)	(59.9)	1,097
(1,277)	(448)	Inter-segment eliminations	(711)	(161)	(550)	(341.6)	(226)
(13,360)	(2,481)	Total operating balance	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 28 Feb 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Financial Assets and Sovereign Receivables							
9,801	8,296	Cash and cash equivalents	14,179	10,077	4,102	40.7	9,185
7,104	7,140	Tax receivables	6,571	7,100	(529)	(7.5)	7,348
14,586	10,464	Trade and other receivables	12,249	11,009	1,240	11.3	11,450
7,460	7,092	Student loans	7,833	7,801	32	0.4	7,932
11,495	11,101	Kiwibank mortgages	12,230	12,504	(274)	(2.2)	12,950
2,259	2,299	Long-term deposits	1,911	2,032	(121)	(6.0)	2,402
2,168	2,278	IMF financial assets	2,130	2,256	(126)	(5.6)	2,346
1,612	1,286	Other advances	1,107	1,226	(119)	(9.7)	1,299
14,248	14,340	Share investments	14,175	17,148	(2,973)	(17.3)	18,443
5,415	3,827	Derivatives in gain	5,838	4,488	1,350	30.1	4,188
39,214	35,355	Other marketable securities	34,374	34,201	173	0.5	33,561
115,362	103,478	Total financial assets and sovereign receivables	112,597	109,842	2,755	2.5	111,104
Financial assets by entity							
29,928	22,702	NZDMO	21,552	24,290	(2,738)	(11.3)	23,314
17,909	18,215	Reserve Bank of New Zealand	20,605	16,901	3,704	21.9	16,752
18,687	18,714	NZ Superannuation Fund	19,263	18,131	1,132	6.2	18,872
19,116	19,074	Other core Crown	19,499	19,034	465	2.4	19,110
(9,165)	(8,653)	Intra-segment eliminations	(8,048)	(7,860)	(188)	(2.4)	(7,538)
76,475	70,052	Total core Crown segment	72,871	70,496	2,375	3.4	70,510
21,569	18,227	ACC portfolio	22,993	22,160	833	3.8	24,548
9,305	8,814	EQC portfolio	7,755	7,587	168	2.2	6,495
8,831	6,768	Other Crown entities	8,949	8,560	389	5	8,284
(3,314)	(1,621)	Intra-segment eliminations	(3,605)	(3,483)	(122)	(3.5)	(3,426)
36,391	32,188	Total Crown entities segment	36,092	34,824	1,268	3.6	35,901
20,241	17,334	Total State-owned enterprises segment	20,908	20,747	161	0.8	20,789
(17,745)	(16,096)	Inter-segment eliminations	(17,274)	(16,225)	(1,049)	(6.5)	(16,096)
115,362	103,478	Total financial assets	112,597	109,842	2,755	2.5	111,104

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 28 Feb 2011 \$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	16,601	Land (valuation)	16,390	16,486	(96)	(0.6)	16,774
24,539	24,394	Buildings (valuation)	24,300	24,736	(436)	(1.8)	25,514
2,690	2,407	Electricity distribution network (cost)	3,062	3,080	(18)	(0.6)	3,267
14,439	13,794	Electricity generation assets (valuation)	14,701	14,898	(197)	(1.3)	15,208
1,805	2,300	Aircraft (excl military) (valuation)	2,171	2,117	54	2.6	2,048
25,126	25,425	State highways (valuation)	25,553	25,715	(162)	(0.6)	25,842
12,749	12,653	Rail network (valuation)	12,928	12,907	21	0.2	12,986
3,331	3,331	Specialist military equipment (valuation)	3,259	3,358	(99)	(2.9)	3,271
8,133	8,465	Specified cultural and heritage assets (valuation)	8,146	8,151	(5)	(0.1)	8,169
5,670	5,664	Other plant and equipment (cost)	5,759	5,910	(151)	(2.6)	5,988
114,854	115,034	Total net carrying value	116,269	117,358	(1,089)	(0.9)	119,067
		<i>By source:</i>					
29,549	30,022	Core Crown	29,415	29,739	(324)	(1.1)	30,121
48,480	48,843	Crown entities	48,822	49,328	(506)	(1.0)	50,148
36,825	36,169	State-owned enterprises	38,032	38,291	(259)	(0.7)	38,798
-	-	Inter-segment eliminations	-	-	-	-	-
114,854	115,034	Total net carrying value	116,269	117,358	(1,089)	(0.9)	119,067
		Movement note					
		Cost or valuation					
123,941	123,941	Opening balance	126,601	126,601	-	-	126,601
6,644	4,681	Additions (refer below)	4,825	5,923	(1,098)	(18.5)	8,673
(1,283)	(343)	Disposals	(304)	(160)	(144)	(90.0)	(371)
(2,471)	9	Net revaluations	(84)	(161)	77	47.8	50
(230)	(221)	Other	(32)	218	(250)	(114.7)	231
126,601	128,067	Total cost or valuation	131,006	132,421	(1,415)	(1.1)	135,184
		Accumulated depreciation and impairment					
10,611	10,611	Opening balance	11,747	11,747	-	-	11,747
(832)	(151)	Eliminated on disposal	(232)	(51)	(181)	(354.9)	(109)
(1,884)	-	Eliminated on revaluation	(18)	-	(18)	-	-
3,727	2,431	Depreciation expense	3,096	3,117	(21)	(0.7)	3,952
125	142	Other	144	250	(106)	(42.4)	527
11,747	13,033	Total accumulated depreciation and impairment	14,737	15,063	(326)	(2.2)	16,117
114,854	115,034	Total property, plant and equipment	116,269	117,358	(1,089)	(0.9)	119,067
		Additions - by functional classification					
2,807	2,028	Transport and communications	1,639	1,759	(120)	(6.8)	2,401
1,200	725	Economic and industrial services	1,070	1,358	(288)	(21.2)	2,115
648	571	Education	1,032	1,110	(78)	(7.0)	886
617	388	Health	355	586	(231)	(39.4)	992
258	316	Defence	237	415	(178)	(42.9)	690
1,114	653	Other	492	695	(203)	(29.2)	1,589
6,644	4,681	Total additions	4,825	5,923	(1,098)	(18.5)	8,673

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	8 months to 28 Feb 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
518	296	Revenue	308	380	(72)	(18.9)	590
872	690	Less current tax expense	185	(141)	(326)	(231.2)	(20)
169	137	Less other expenses ¹	59	114	55	48.2	171
3,518	3,305	Add gains/(losses)	39	(825)	864	104.7	(425)
2,995	2,774	Operating balance	103	(418)	521	124.6	14
15,656	15,656	Opening net worth	18,652	18,652	-	-	18,652
2,995	2,774	Operating balance	103	(418)	521	124.6	14
1	2	Other movements in reserves	-	4	(4)	(100.0)	6
18,652	18,432	Closing net worth	18,755	18,238	517	2.8	18,672
<i>comprising:</i>							
18,687	18,714	Financial assets	19,263	18,131	1,132	6.2	18,872
(1,161)	(1,313)	Financial liabilities	(1,645)	(1,172)	(473)	(40.4)	(1,436)
1,126	1,031	Net other assets	1,137	1,279	(142)	(11.1)	1,236
18,652	18,432	Closing net worth	18,755	18,238	517	2.8	18,672
Core Crown revenue (excl NZS Fund)							
57,550	36,574	Core Crown revenue	38,420	39,587	(1,167)	(2.9)	61,165
518	296	Less NZS Fund revenue	308	380	(72)	(18.9)	590
872	690	Add back NZS Fund intra-segment revenue	185	(141)	326	231.2	(20)
57,904	36,968	Core Crown revenue (excl NZS Fund)	38,297	39,066	(769)	(2.0)	60,555
OBEGAL excluding NZS Fund							
(18,396)	(9,187)	Total Crown OBEGAL	(5,820)	(5,137)	(683)	(13.3)	(10,809)
518	296	Less NZS Fund revenue	308	380	(72)	(18.9)	590
111	55	Add back NZS Fund external expenses	37	82	(45)	(54.9)	122
872	690	Add back NZS Fund tax	185	(141)	326	231.2	(20)
(17,931)	(8,738)	OBEGAL excluding NZS Fund	(5,906)	(5,576)	(330)	(5.9)	(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 28 Feb 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Payables							
7,337	5,176	Accounts payable	9,583	7,959	(1,624)	(20.4)	8,541
3,762	3,045	Taxes repayable	2,694	3,012	318	10.6	3,762
11,099	8,221	Total payables	12,277	10,971	(1,306)	(11.9)	12,303
NOTE 15: Insurance liabilities							
26,939	24,715	ACC liability	27,318	26,966	(352)	(1.3)	29,025
10,570	5,500	EQC property damage liability	9,335	8,571	(764)	(8.9)	7,616
2,082	-	AMI Liability	2,125	2,132	7	0.3	1,560
59	48	Other insurance liabilities	57	67	10	14.9	71
(336)	-	Inter-segment eliminations	-	-	-	-	-
39,314	30,263	Total insurance liabilities	38,835	37,736	(1,099)	(2.9)	38,272
NOTE 16: Provisions							
612	620	Provision for ETS Credits	572	926	354	38.2	1,492
983	996	Provision for National Provident Fund guarantee	937	947	10	1.1	918
3,050	2,754	Provision for employee entitlements	2,884	2,781	(103)	(3.7)	2,990
1,039	-	Provision for Canterbury Red Zone support package	596	771	175	22.7	610
567	-	Provision for weathertight services financial assistance package	567	567	-	-	556
1,335	1,292	Other provisions	1,135	1,128	(7)	(0.6)	2,503
7,586	5,662	Total provisions	6,691	7,120	429	6.0	9,069
NOTE 17: Changes in Net Worth							
31,087	31,087	Opening taxpayers funds	18,188	18,188	-	-	18,188
(13,360)	(2,481)	Operating balance excluding minority interest	(8,840)	(7,589)	(1,251)	(16.5)	(12,601)
461	148	Transfers from/(to) other reserves	137	27	110	407.4	44
18,188	28,754	Closing taxpayers funds	9,485	10,626	(1,141)	(10.7)	5,631
63,593	63,593	Opening revaluation reserve	62,690	62,690	-	-	62,690
(443)	(46)	Net revaluations	3	(90)	93	103.3	-
(460)	(150)	Transfers from/(to) other reserves	(138)	(25)	(113)	(452.0)	(44)
62,690	63,397	Closing revaluation reserve	62,555	62,575	(20)	-	62,646
(94)	(94)	Opening other reserves	(299)	(299)	-	-	(299)
(205)	(41)	Net movements	134	3	131	-	(4)
(299)	(135)	Closing other reserves	(165)	(296)	131	44.3	(303)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	8 months to 28 Feb 2011 \$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	33,242	Total tax receipts	34,954	35,662	(708)	(2.0)	54,801
646	435	Total other sovereign receipts	466	413	53	12.8	693
1,817	667	Interest, profits and dividends	861	829	32	3.9	1,462
2,094	1,302	Sale of goods & services and other receipts	1,736	1,839	(103)	(5.6)	2,895
(22,226)	(15,090)	Subsidies and transfer payments	(15,615)	(15,729)	114	0.7	(23,103)
(40,433)	(27,483)	Personnel and operating costs	(26,885)	(27,429)	544	2.0	(43,103)
(2,637)	(1,240)	Finance costs	(1,785)	(1,797)	12	0.7	(3,450)
-	-	- Forecast for future new operating spending	-	-	-	-	(623)
-	-	- Top-down expense adjustment	-	261	(261)	(100.0)	1,100
(9,285)	(8,167)	Net cash flows from core Crown operations	(6,268)	(5,951)	(317)	(5.3)	(9,328)
(1,524)	(965)	Net purchase of physical assets	(852)	(1,193)	341	28.6	(2,133)
(1,242)	(707)	Net increase in advances	(506)	(796)	290	36.4	(1,125)
(1,292)	(989)	Net purchase of investments	(696)	(805)	109	13.5	(1,160)
-	-	- Forecast for future new capital spending	-	-	-	-	(242)
-	-	- Top-down capital adjustment	-	50	(50)	(100.0)	350
(13,343)	(10,828)	Residual cash	(8,322)	(8,695)	373	4.3	(13,638)
Financed by:							
(4,791)	(41)	Other net sale/(purchase) of marketable securities and deposits	7,355	5,644	1,711	30.3	6,517
(18,134)	(10,869)	Total operating and investing activities	(967)	(3,051)	2,084	68.3	(7,121)
Used in:							
(1,835)	(1,885)	Net (repayment)/issue of other New Zealand dollar borrowing	9,113	8,571	542	6.3	9,521
1,661	1,300	Net (repayment)/issue of foreign currency borrowing	(6,314)	(6,930)	616	8.9	(7,773)
234	359	Issues of circulating currency	238	53	185	349.1	89
(861)	21	Decrease/(increase) in cash	(3,116)	(1,087)	(2,029)	(186.7)	(1,248)
(801)	(205)	Net cash inflow/(outflow) to be offset by domestic bonds	(79)	607	(686)	(113.0)	589
(18,935)	(11,074)	domestic bonds	(1,046)	(2,444)	1,398	57.2	(6,532)
Gross Cash Proceeds from Domestic Bonds							
19,468	11,203	Domestic bonds (market)	9,943	11,203	(1,260)	(11.2)	15,422
270	219	Domestic bonds (non-market)	-	-	-	-	448
19,738	11,422	Total gross cash proceeds from domestic bonds	9,943	11,203	(1,260)	(11.2)	15,870
-	-	- Repayment of domestic bonds (market)	(7,602)	(7,602)	-	-	(7,602)
(803)	(348)	- Repayment of domestic bonds (non-market)	(1,295)	(1,157)	(138)	(11.9)	(1,736)
(803)	(348)	Total repayment of domestic bonds	(8,897)	(8,759)	(138)	(1.6)	(9,338)
18,935	11,074	Net (repayments of)/cash proceeds from domestic bonds	1,046	2,444	(1,398)	(57.2)	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).