

Financial Statements of the Government of New Zealand

For the 11 Months Ended
31 May 2012



Prepared by the Treasury
6 July 2012

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New Zealand Government

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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 11 months ended 31 May 2012 and its financial position as at that date.

The May results are reported against forecasts based on the *2012 Budget Economic and Fiscal Update (BEFU)*, published on 24 May 2012.

At a Glance

Table 1 – Key indicators for the 11 months ended 31 May 2012 compared to BEFU

	Year to date				Full Year
	May 2012	May 2012 BEFU	Variance to BEFU	Variance to BEFU	June 2012 BEFU
\$ million	Actual ¹	Forecast ¹	\$m	%	Forecast ²
Core Crown					
Core Crown tax revenue	50,537	49,870	667	1.3	54,741
Core Crown revenue	55,220	54,531	689	1.3	60,031
Core Crown expenses	61,969	62,400	431	0.7	69,633
Core Crown residual cash	(9,872)	(10,805)	933	8.6	(12,119)
Gross debt ³	79,713	78,473	(1,240)	(1.6)	80,142
<i>as a percentage of GDP</i>	39.5%	38.8%			38.5%
Net debt ⁴	49,649	50,636	987	1.9	51,921
<i>as a percentage of GDP</i>	24.6%	25.1%			25.0%
Total Crown					
Operating balance before gains and losses	(5,912)	(7,041)	1,129	16.0	(8,441)
Operating balance	(10,943)	(10,123)	(820)	(8.1)	(10,642)
Net worth	70,147	70,793	(646)	(0.9)	70,303

1 Using GDP for the year ended 31 March 2012 of \$202,054 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2012 of \$207,987 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 11 months ended 31 May 2012

The **operating balance before gains and losses (OBEGAL)** deficit for the 11 months to 31 May was \$1.1 billion (16.0%) lower than forecast at \$5.9 billion, largely as a result of the higher-than-expected tax revenue and lower-than-expected core Crown expenses.

Core Crown tax revenue of \$50.5 billion was \$667 million or 1.3% higher than forecast:

- Corporate tax was \$389 million (5.1%) above forecast with 2011 terminal tax assessments and Portfolio Investment Entity (PIE) tax each approximately \$200 million above forecast.
- Goods and Services Tax (GST) was \$192 million (1.4%) above forecast, because private consumption made up a higher portion of total GST than expected.

For the same period, **core Crown expenditure** of \$62.0 billion was \$431 million or 0.7% lower than forecast.

At 31 May, net debt stood at \$49.6 billion (24.6% of GDP) and gross debt stood at \$79.7 billion (39.5% of GDP).

Further analysis of the May results follows.

ANALYSIS

Table 2 – Key indicator variances for the 11 months ended 31 May 2012 compared to *BEFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown tax revenue	\$667 million (higher than forecast)	<p>Core Crown tax revenue was \$667m or 1.3% higher than forecast. The main components of this difference were:</p> <ul style="list-style-type: none"> • Corporate tax revenue, which was \$389m (5.1%) higher than forecast. Within this, net terminal tax assessments and Portfolio Investment Entity (PIE) tax were each approximately \$200m above forecast. Both of these elements of the variance are expected to persist to the end of the 2011/12 fiscal year. • GST revenue, \$192m (1.4%) above forecast because private consumption made up a higher portion of total GST than expected.
Core Crown expenses	\$431 million (lower than forecast)	<p>Core Crown expenses were within 1% of forecast at \$61,969m. Of the \$431m variance, \$251m (or 58%) can be explained by three items, with the remainder due to individually small variances across a number of departments:</p> <ul style="list-style-type: none"> • The cost of units allocated under the Emissions Trading Scheme was \$126m lower than expected. This was primarily due to fewer units being allocated in the Post 89 forestry sector than forecast due to fewer registrations in to the scheme to date than anticipated. • Education expenses were \$80m lower than forecast due to the timing of payments for demand-driven programmes across both primary and secondary education sectors. These are largely expected to reverse before the end of the year. • Defence expenditure was \$45m less than expected. The majority was due to a lower-than-forecast spend on contractors with the remainder across various outputs and services.
Core Crown residual cash deficit	\$933 million (lower than forecast)	<p>At \$9,872m, the core Crown residual cash deficit was \$933m smaller than forecast. The difference was due to:</p> <ul style="list-style-type: none"> • Higher-than-forecast tax receipts contributing \$461m to the lower-than-expected cash deficit. The key drivers were similar to the tax revenue variance (\$667m), except the \$200m difference in net terminal tax has not yet been repeated in cash. • Both capital and operating payments were slightly below forecast (\$183m and \$326m respectively). While core Crown operating expenses were \$431m below forecast not all operating expense items have a cash impact, for example the ETS variance mentioned above.
Gross debt	-\$1,240 million (higher than forecast)	<p>Gross debt at \$79,713m was 1.6% higher than forecast.</p> <p>There were a number of contributors to the variance both higher and lower than forecast; however, the most significant differences were the unsettled trades of the NZ Debt Management Office and Reserve Bank of \$731m and \$663m respectively. These are short-term positions that are not forecast as they typically settle in the next few days, so they are offset by a higher holding of cash (so were net debt neutral).</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
Net Debt	\$987 million (lower than forecast)	Net debt was 1.9% lower than expected at \$49,649m, largely reflecting the favourable year-to-date residual cash position.
Total Crown		
Operating balance before gains and losses deficit	\$1,129 million (lower than forecast)	The OBEGAL deficit at \$5,912m was \$1,129m lower than forecast. The key drivers of the OBEGAL difference were almost entirely within the core Crown as detailed earlier; tax revenue was \$667m higher-than-expected while expenditure was \$431m lower-than-expected.
Operating balance deficit	-\$820 million (higher than forecast)	Including net losses, which were nearly \$2.0b greater-than-expected, the operating balance deficit was \$820m above forecast. The largest of the losses was the year-to-date actuarial loss on ACC's liability for outstanding claims. In May a further \$1.1b of losses were incurred above forecast (net losses to 30 April were \$595m greater), bringing the year-to-date losses to \$1,676m higher than forecast. The losses were largely due to a decrease in the discount rate used to calculate the present value of expected claims payments. In addition to the actuarial losses, net losses on financial instruments were \$192m higher-than-forecast, spread across a number of entities.
Net worth	-\$646 million (lower than forecast)	Net worth was lower than forecast, reflecting the higher-than-forecast operating balance deficit, as detailed above.

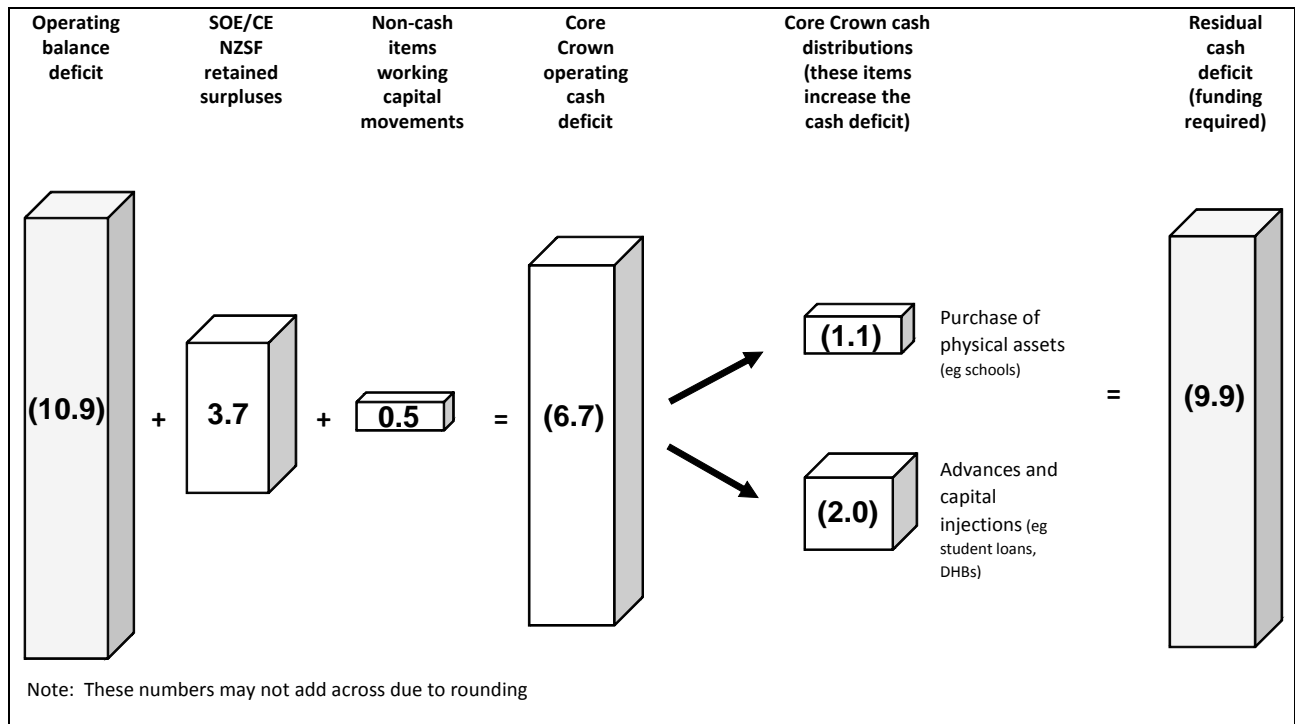
Table 3 – Fiscal Strategy and financial results

Fiscal Strategy		Financial Results		Ref	31 May 2012 Actual \$m	31 May 2012 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
		Taxation as a % of GDP		1	27.3%	26.9%			26.3%
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective		Core Crown taxation revenue ...			50,537	49,870	667	1.3	54,741
		... combined with other core Crown revenue ...			4,683	4,661	22	0.5	5,290
		... fund core Crown expenses...			(61,969)	(62,400)	431	0.7	(69,633)
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP		... and with SOE and Crown entity results and core Crown gains and losses...			(4,194)	(2,254)	(1,940)	(86.1)	(1,040)
		... result in an operating surplus or deficit...			(10,943)	(10,123)	(820)	(8.1)	(10,642)
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...			3,711	2,010	1,701	84.6	793
		... and some items do not impact cash ...			507	638	(131)	(20.5)	1,613
		... leaving operating cash flows to ...			(6,725)	(7,475)	750	10.0	(8,236)
		... meet the capital expenditure budget ...			(1,124)	(1,180)	56	4.7	(1,469)
Debt Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and then brought back to a level no higher than 20% of GDP by 2020		... and make advances (e.g. to students and DHBs)			(2,023)	(2,150)	127	5.9	(2,414)
		With the residual cash ...			(9,872)	(10,805)	933	8.6	(12,119)
		... 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 ...			(351)	(297)	54	18.1	(326)
		... results in a closing net debt ...			49,649	50,636	987	1.9	51,921
		... and as a % of GDP			24.6%	25.1%			25.0%

¹ GDP for the 11 months ended 31 May 2012 (actual and forecast) is the actual data for the year ended 31 March 2012 (Source: Statistics New Zealand) pro-rated for 11 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

	May 2012 Actual \$m	May 2011 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	50,537	47,360	3,177	6.7
Other revenue	4,683	4,508	175	3.9
Total Core Crown Revenue	55,220	51,868	3,352	6.5
Core Crown expenses				
Social security and welfare	20,065	19,757	308	1.6
GSF pension expenses	175	261	(86)	(33.0)
Health	12,971	12,565	406	3.2
Education	10,846	10,672	174	1.6
Core government services	3,803	3,934	(131)	(3.3)
Law and order	3,099	3,101	(2)	(0.1)
Defence	1,597	1,649	(52)	(3.2)
Transport and communications	1,976	2,054	(78)	(3.8)
Economic and industrial services	1,823	2,371	(548)	(23.1)
Primary services	569	613	(44)	(7.2)
Heritage, culture and recreation	1,450	1,750	(300)	(17.1)
Housing and community development	49	302	(253)	(83.8)
Other	332	316	16	5.1
Finance costs	3,214	2,794	420	15.0
Total Core Crown Expenses	61,969	62,139	(170)	(0.3)
Net surplus of SOE/CE's (and inter-segment eliminations)	837	(481)	1,318	274.0
OBEGAL	(5,912)	(10,752)	4,840	45.0
Total gains/(losses)	(5,233)	5,506	(10,739)	(195.0)
Other operating items	202	225	(23)	(10.2)
Operating Balance	(10,943)	(5,021)	(5,922)	(117.9)
Core Crown residual cash	(9,872)	(12,873)	3,001	23.3
Debt indicators				
Gross debt²	79,713	73,176	6,537	8.9
Net debt³	49,649	39,654	9,995	25.2

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 11 months ended 31 May 2012 increased by \$3.2 billion (6.7%) on the same period last year. Corporate tax and GST were the largest contributors, up \$1,352 million (20.4%) and \$963 million (7.7%) respectively, as profitability continues to recover following the 2008/09 recession and the increase in the rate of GST in October 2010 continues to flow into tax outturns. Other individuals' tax also contributed, up \$402 million (15.8%) due to increased profitability.

Total **core Crown expenses** decreased by \$170 million (0.3%) 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
Increases:		
Finance costs	+ \$420 million	<ul style="list-style-type: none"> A result of increased debt levels.
Health	+ \$406 million	<ul style="list-style-type: none"> Funding provided in the 2011 Budget to maintain and improve existing service levels.
Social security and welfare	+ \$308 million	<ul style="list-style-type: none"> Indexation of welfare benefits and higher beneficiary recipient numbers.
Decreases:		
Economic and industrial services	- \$548 million	<ul style="list-style-type: none"> A reduction in KiwiSaver Member Tax Credits in the 2011 Budget.
Heritage, culture and recreation	- \$300 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.
Housing and community development	- \$253 million	<ul style="list-style-type: none"> Downwards revision of the financial assistance package (weathertight homes) provision.
Other functional classes	- \$203 million	
Total	- \$170 million	

The **surplus of SOE/CE's** was \$837 million for the first 11 months of this year, compared to a \$481 million deficit in the first 11 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 \$5,233 million in the 11 months to May 2012 due to increases in the valuation of the Crown's long-term liabilities (e.g. ACC and GSF). In contrast, strong global equity markets in the first 11 months of the 2010/11 financial year resulted in total gains of \$5,506 million to 31 May 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
- Offices of Parliament
- New Zealand Superannuation Fund
- State-Owned Enterprises (SOEs)
- Departments
- Reserve Bank of New Zealand
- Crown Entities
- Air New Zealand Limited

A schedule of the entities that are included in the Government reporting entity was set out on pages 89 and 90 of the *BEFU* released on 24 May 2012.

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 *BEFU*, on 24 May 2012.

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/befu2012>

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 11 months ended 31 May 2012

Year to 30 Jun 2011	11 months to 31 May 2011		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
51,128	46,916	Taxation revenue	1	50,108	49,460	648	1.3	54,331
5,281	4,777	Other sovereign revenue	1	4,629	4,632	(3)	(0.1)	5,112
56,409	51,693	Total Revenue Levied through the Crown's Sovereign Power		54,737	54,092	645	1.2	59,443
15,084	13,708	Sales of goods and services		14,972	14,749	223	1.5	16,380
2,570	2,610	Interest revenue and dividends	2	2,525	2,560	(35)	(1.4)	2,824
7,500	6,158	Other revenue		3,661	3,624	37	1.0	3,928
25,154	22,476	Total revenue earned through the Crown's operations		21,158	20,933	225	1.1	23,132
81,563	74,169	Total revenue (excluding gains)		75,895	75,025	870	1.2	82,575
		Expenses						
22,172	20,143	Social assistance and official development assistance	3	20,322	20,428	106	0.5	22,534
19,088	17,255	Personnel expenses	4	17,683	17,710	27	0.2	19,315
4,682	4,322	Depreciation and amortisation	5	4,056	4,080	24	0.6	4,520
35,829	30,821	Other operating expenses	5	31,807	32,118	311	1.0	36,386
3,596	3,290	Interest expenses	6	3,738	3,797	59	1.6	4,173
14,592	9,090	Insurance expenses	7	4,201	4,133	(68)	(1.6)	4,451
-	-	Forecast new operating spending	5	-	-	-	-	87
-	-	Top-down expense adjustment	5	-	(200)	(200)	(100.0)	(450)
99,959	84,921	Total expenses (excluding losses)		81,807	82,066	259	0.3	91,016
(18,396)	(10,752)	Operating balance before gains/(losses)		(5,912)	(7,041)	1,129	16.0	(8,441)
4,619	4,907	Net gains/(losses) on financial instruments	8	(106)	86	(192)	(223.3)	917
79	599	Net gains/(losses) on non-financial instruments	9	(5,127)	(3,378)	(1,749)	(51.8)	(3,371)
4,698	5,506	Total gains/(losses)		(5,233)	(3,292)	(1,941)	(59.0)	(2,454)
237	227	Net surplus/(deficit) from associates and joint ventures		204	211	(7)	(3.3)	253
(13,461)	(5,019)	Operating balance from continuing activities		(10,941)	(10,122)	(819)	(8.1)	(10,642)
-	(2)	(2) Gain/(loss) from discontinued operations		(2)	(1)	(1)	(100.0)	-
(13,461)	(5,021)	Operating balance (including minority interest)		(10,943)	(10,123)	(820)	(8.1)	(10,642)
101	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(13,360)	(5,021)	Operating balance	10	(10,943)	(10,123)	(820)	(8.1)	(10,642)

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

STATEMENT OF COMPREHENSIVE INCOME

for the 11 months ended 31 May 2012

Year to 30 Jun 2011 Actual \$m	11 months to 31 May 2011 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
(13,461)	(5,021)	Operating Balance (including minority interest)	(10,943)	(10,123)	(820)	(8.1)	(10,642)
		Other comprehensive income					
(443)	(416)	Revaluation of physical assets	(39)	(59)	20	33.9	(47)
(252)	(189)	Effective portion of changes in value of cash flow hedges	97	81	16	19.8	56
17	(16)	Net change in fair value of cash flow hedges transferred to operating balance	1	1	-	-	-
95	11	Net change in fair value of cash flow hedges transferred to the hedged item	(32)	(22)	(10)	(45.5)	(22)
(37)	(18)	Foreign currency translation differences for foreign operations	150	20	130	-	58
(1)	(2)	Valuation gains/(losses) on investments available for sale taken to reserves	28	10	18	180.0	11
1	-	Other movements	(2)	(2)	-	-	2
(620)	(630)	Total other comprehensive income	203	29	174	-	58
(14,081)	(5,651)	Total comprehensive income	(10,740)	(10,094)	(646)	(6.4)	(10,584)
		Attributable to:					
(74)	-	- minority interest in Air New Zealand	-	-	-	-	-
(14,007)	(5,651)	- the Crown	(10,740)	(10,094)	(646)	(6.4)	(10,584)
(14,081)	(5,651)	Total comprehensive income	(10,740)	(10,094)	(646)	(6.4)	(10,584)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the 11 months ended 31 May 2012

Year to 30 Jun 2011 Actual \$m	11 months to 31 May 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
25,324	22,788	Social security and welfare	23,301	23,408	107	0.5	25,772
311	267	GSF pension expenses	180	192	12	6.3	200
13,068	11,963	Health	12,535	12,468	(67)	(0.5)	13,471
12,406	11,517	Education	11,701	11,688	(13)	(0.1)	12,690
5,515	3,892	Core government services	3,886	3,849	(37)	(1.0)	4,791
3,567	3,280	Law and order	3,268	3,303	35	1.1	3,679
1,778	1,623	Defence	1,557	1,603	46	2.9	1,776
8,402	7,527	Transport and communications	7,723	7,822	99	1.3	8,829
18,818	12,954	Economic and industrial services	8,680	8,687	7	0.1	9,560
1,603	1,490	Primary services	1,385	1,475	90	6.1	1,650
3,437	3,045	Heritage, culture and recreation	2,774	2,856	82	2.9	3,421
1,655	969	Housing and community development	747	779	32	4.1	878
479	316	Other	332	339	7	2.1	489
3,596	3,290	Finance costs	3,738	3,797	59	1.6	4,173
-	-	Forecast new operating spending	-	-	-	-	87
-	-	Top-down expense adjustment	-	(200)	(200)	(100.0)	(450)
99,959	84,921	Total Crown expenses excluding losses	81,807	82,066	259	0.3	91,016

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	11 months to 31 May 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,005	19,757	Social security and welfare	20,065	20,130	65	0.3	22,236
305	261	GSF pension expenses	175	184	9	4.9	190
13,753	12,565	Health	12,971	12,974	3	-	14,130
11,650	10,672	Education	10,846	10,926	80	0.7	11,883
5,563	3,934	Core government services	3,803	3,896	93	2.4	4,943
3,382	3,101	Law and order	3,099	3,124	25	0.8	3,494
1,809	1,649	Defence	1,597	1,642	45	2.7	1,818
2,281	2,054	Transport and communications	1,976	2,017	41	2.0	2,366
2,609	2,371	Economic and industrial services	1,823	1,863	40	2.1	2,099
706	613	Primary services	569	589	20	3.4	677
1,966	1,750	Heritage, culture and recreation	1,450	1,576	126	8.0	2,015
876	302	Housing and community development	49	81	32	39.5	103
479	316	Other	332	339	7	2.1	489
3,066	2,794	Finance costs	3,214	3,259	45	1.4	3,553
-	-	Forecast new operating spending	-	-	-	-	87
-	-	Top-down expense adjustment	-	(200)	(200)	(100.0)	(450)
70,450	62,139	Core Crown expenses excluding losses	61,969	62,400	431	0.7	69,633

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

STATEMENT OF CASH FLOWS

for the 11 months ended 31 May 2012

Year to 30 Jun 2011 Actual \$m	11 months to 31 May 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	46,426	Taxation receipts	49,208	48,691	517	1.1	53,178
4,693	4,342	Other sovereign receipts	4,503	4,487	16	0.4	4,889
14,899	13,560	Sales of goods and services	15,093	14,970	123	0.8	16,284
2,682	2,681	Interest and dividends	2,331	2,535	(204)	(8.0)	2,808
2,990	2,701	Other operating receipts	4,069	4,171	(102)	(2.4)	4,738
75,682	69,710	Total cash provided from operations	75,204	74,854	350	0.5	81,897
		Cash was disbursed to					
		Social assistance and official development assistance	20,923	20,988	65	0.3	23,049
22,172	20,293	Personnel and operating payments	54,505	55,150	645	1.2	60,303
55,152	50,755	Interest payments	3,620	3,730	110	2.9	4,045
3,107	2,819	Forecast new operating spending	-	-	-	-	87
-	-	Top-down expense adjustment	-	(200)	(200)	(100.0)	(450)
-	-						
80,431	73,867	Total cash disbursed to operations	79,048	79,668	620	0.8	87,034
(4,749)	(4,157)	Net cash flows from operations	(3,844)	(4,814)	970	20.1	(5,137)
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,996)	(5,840)	Net purchase of physical assets	(5,369)	(5,436)	67	1.2	(6,474)
(8,405)	(7,090)	Net purchase of shares and other securities	(15,209)	(7,589)	(7,620)	(100.4)	(8,289)
(600)	(430)	Net purchase of intangible assets	(411)	(506)	95	18.8	(547)
(1,003)	(1,352)	Net (issue)/repayment of advances	(1,431)	(1,742)	311	17.9	(2,099)
173	63	Net acquisition of investments in associates	253	181	72	39.8	102
-	-	Capital contingency provision	-	-	-	-	(88)
-	-	Top-down capital adjustment	-	100	(100)	(100.0)	250
(15,831)	(14,649)	Net cash flows from investing activities	(22,167)	(14,992)	(7,175)	(47.9)	(17,145)
(20,580)	(18,806)	Net cash flows from operating and investing activities	(26,011)	(19,806)	(6,205)	(31.3)	(22,282)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	270	Issues of circulating currency	247	338	(91)	(26.9)	306
21,088	19,202	Net issue/(repayment) of Government stock ¹	22,130	20,391	1,739	8.5	22,386
1,809	3,688	Net issue/(repayment) of foreign currency borrowing	(7,258)	(8,596)	1,338	15.6	(8,774)
81	(1,411)	Net issue/(repayment) of other New Zealand dollar borrowing	11,667	13,061	(1,394)	(10.7)	13,410
23,212	21,749	Net cash flows from financing activities	26,786	25,194	1,592	6.3	27,328
2,632	2,943	Net movement in cash	775	5,388	(4,613)	(85.6)	5,046
7,774	7,774	Opening Cash Balance	9,801	9,801	-	-	9,801
		Foreign-exchange gains/(losses) on opening cash	328	51	277	-	52
(605)	(493)						
9,801	10,224	Closing Cash Balance	10,904	15,240	(4,336)	(28.5)	14,899

1. Net issues of Government stock include movements within government stock holdings of entities such as RBNZ, NZS Fund, ACC and EQC.

Note 18 - Core Crown Residual Cash 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 11 months ended 31 May 2012

Year to 30 Jun 2011 Actual \$m	11 months to 31 May 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)	(4,157)	Net Cash Flows from Operations	(3,844)	(4,814)	970	20.1	(5,137)
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
Gains/(losses)							
4,619	4,907	Gains/(losses) on other financial instruments	(106)	86	(192)	(223.3)	917
79	599	Gains/(losses) on other non-financial instruments	(5,127)	(3,378)	(1,749)	(51.8)	(3,371)
4,698	5,506	Total gains/(losses)	(5,233)	(3,292)	(1,941)	(59.0)	(2,454)
Other Non-cash Items in Operating Balance							
(4,682)	(4,322)	Depreciation and amortisation	(4,056)	(4,080)	24	0.6	(4,520)
(807)	(763)	Write-down on initial recognition of loans Impairment on financial assets (excluding receivables)	(807)	(812)	5	0.6	(855)
105	59	Decrease/(increase) in defined benefit retirement plan liabilities	100	73	27	37.0	82
358	343	Decrease/(increase) in insurance liabilities	411	369	42	11.4	483
(13,179)	(6,373)	Other	933	862	71	8.2	1,080
238	226		204	212	(8)	(3.8)	253
(17,967)	(10,830)	Total other non-cash Items	(3,215)	(3,376)	161	4.8	(3,477)
Movements in Working Capital							
6,605	4,711	Increase/(decrease) in receivables	(401)	(341)	(60)	(17.6)	(312)
(599)	(543)	Increase/(decrease) in accrued interest	76	(42)	118	281.0	(111)
149	103	Increase/(decrease) in inventories	5	18	(13)	(72.2)	(7)
39	149	Increase/(decrease) in prepayments	119	86	33	38.4	25
(46)	(34)	Decrease/(increase) in deferred revenue	(44)	63	(107)	(169.8)	244
(1,490)	74	Decrease/(increase) in payables/provisions	1,594	1,575	19	1.2	587
4,658	4,460	Total movements in working capital	1,349	1,359	(10)	(0.7)	426
(13,360)	(5,021)	Operating Balance	(10,943)	(10,123)	(820)	(8.1)	(10,642)

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

STATEMENT OF CHANGES IN NET WORTH

for the 11 months ended 31 May 2012

Year to 30 Jun 2011	11 months to 31 May 2011		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)	(5,021)	Operating balance (including minority interest)	(10,943)	(10,123)	(820)	(8.1)	(10,642)
(443)	(416)	Net revaluations	(39)	(59)	20	33.9	(47)
(279)	(190)	Transfers to/(from) reserves	125	91	34	37.4	58
17	(16)	(Gains)/losses transferred to the statement of financial performance	1	1	-	-	-
85	(8)	Other movements	116	(4)	120	-	47
(14,081)	(5,651)	Total comprehensive income	(10,740)	(10,094)	(646)	(6.4)	(10,584)
(20)	-	Transactions with minority interest in Air New Zealand	-	-	-	-	-
80,887	89,337	Closing net worth	70,147	70,793	(646)	(0.9)	70,303

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

STATEMENT OF FINANCIAL POSITION

as at 31 May 2012

As at 30 Jun 2011 Actual \$m	As at 31 May 2011 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Assets						
9,801	10,224	Cash and cash equivalents	11	10,904	15,240	(4,336)	(28.5)	14,899
21,690	19,793	Receivables	11	21,224	20,435	789	3.9	20,566
49,056	49,714	Marketable securities, deposits and derivatives in gain	11	50,093	43,477	6,616	15.2	43,821
14,248	13,967	Share investments	11	14,281	14,282	(1)	-	14,470
20,567	20,105	Advances	11	21,606	21,642	(36)	(0.2)	22,091
1,308	1,262	Inventory		1,313	1,326	(13)	(1.0)	1,301
1,996	2,196	Other assets		2,202	2,106	96	4.6	2,003
114,854	115,344	Property, plant & equipment	12	116,659	117,136	(477)	(0.4)	118,008
9,301	9,362	Equity accounted investments ¹		9,629	9,674	(45)	(0.5)	9,756
2,394	2,400	Intangible assets and goodwill ²		2,406	2,489	(83)	(3.3)	2,430
-	-	Forecast for new capital spending		-	-	-	-	88
-	-	Top-down capital adjustment		-	(100)	100	100.0	(250)
245,215	244,367	Total assets		250,317	247,707	2,610	1.1	249,183
		Liabilities						
4,254	4,290	Issued currency		4,501	4,592	91	2.0	4,560
11,099	10,693	Payables	14	12,457	11,772	(685)	(5.8)	12,866
1,674	1,662	Deferred revenue		1,718	1,611	(107)	(6.6)	1,430
90,245	89,361	Borrowings		101,372	100,466	(906)	(0.9)	101,466
39,314	33,539	Insurance liabilities	15	41,733	40,128	(1,605)	(4.0)	39,905
10,156	9,309	Retirement plan liabilities		11,956	12,000	44	0.4	11,886
7,586	6,176	Provisions	16	6,433	6,345	(88)	(1.4)	6,767
164,328	155,030	Total liabilities		180,170	176,914	(3,256)	(1.8)	178,880
80,887	89,337	Total assets less total liabilities		70,147	70,793	(646)	(0.9)	70,303
		Net Worth						
18,188	26,288	Taxpayer funds	17	7,403	8,218	(815)	(9.9)	7,573
62,690	62,954	Revaluation reserve	17	62,490	62,477	13	-	62,618
(299)	(307)	Other reserves	17	(54)	(210)	156	74.3	(196)
80,579	88,935	Total net worth attributable to the Crown		69,839	70,485	(646)	(0.9)	69,995
308	402	Net worth attributable to minority interest in Air New Zealand		308	308	-	-	308
80,887	89,337	Total net worth		70,147	70,793	(646)	(0.9)	70,303

1. Tertiary education institutions constitute most equity accounted investments.

2. Intangible assets include the Kyoto net asset of \$190 million.

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

STATEMENT OF BORROWINGS

as at 31 May 2012

As at 30 Jun 2011 Actual \$m	As at 31 May 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
46,018	45,068	Government stock ¹	51,809	52,125	316	0.6	53,293
7,028	7,671	Treasury bills	8,514	8,746	232	2.7	8,371
261	260	Government retail stock	232	252	20	7.9	251
6,276	5,719	Settlement deposits with Reserve Bank	6,702	6,244	(458)	(7.3)	6,244
2,767	2,520	Derivatives in loss	4,372	2,720	(1,652)	(60.7)	2,553
1,176	946	Finance lease liabilities	1,148	1,091	(57)	(5.2)	1,596
26,719	27,177	Other borrowings	28,595	29,288	693	2.4	29,158
90,245	89,361	Total borrowings	101,372	100,466	(906)	(0.9)	101,466
67,765	67,520	Sovereign-guaranteed debt	75,964	75,415	(549)	(0.7)	76,445
22,480	21,841	Non sovereign-guaranteed debt	25,408	25,051	(357)	(1.4)	25,021
90,245	89,361	Total borrowings	101,372	100,466	(906)	(0.9)	101,466
Net Debt:							
76,885	77,038	Core Crown borrowings ²	86,315	84,075	(2,240)	(2.7)	85,759
405	470	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,339)	(876)	463	52.9	(873)
77,290	77,508	Gross sovereign-issued debt³	84,976	83,199	(1,777)	(2.1)	84,886
65,400	66,090	Less core Crown financial assets ⁴	65,642	63,157	2,485	3.9	63,974
11,890	11,418	Net core Crown debt	19,334	20,042	708	3.5	20,912
12,079	11,883	Core crown advances	12,991	12,849	(142)	(1.1)	13,147
23,969	23,301	Net core Crown debt (incl NZS Fund)⁵	32,325	32,891	566	1.7	34,059
16,159	16,353	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	17,324	17,745	(421)	(2.4)	17,862
40,128	39,654	Net core Crown debt (excl NZS Fund and advances)⁷	49,649	50,636	145	0.3	51,921
Gross Debt:							
77,290	77,508	Gross sovereign-issued debt ³	84,976	83,199	(1,777)	(2.1)	84,886
(6,470)	(5,932)	Less Reserve Bank settlement cash and Reserve Bank bills	(6,863)	(6,326)	537	8.5	(6,344)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
72,420	73,176	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	79,713	78,473	(1,240)	(1.6)	80,142

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 May 2012

	As at 31 May 2012 \$m	As at 30 Jun 2011 \$m	As at 31 May 2011 \$m
Capital Commitments			
Specialist military equipment	313	369	395
Land and buildings	589	701	808
Other property, plant and equipment	6,938	7,032	7,026
Other capital commitments	197	408	217
Tertiary Education Institutions	413	413	302
Total capital commitments	8,450	8,923	8,748
Operating Commitments			
Non-cancellable accommodation leases	2,787	2,909	2,854
Other non-cancellable leases	2,952	3,171	3,207
Non-cancellable contracts for the supply of goods and services	5,413	5,520	2,217
Other operating commitments	7,371	7,415	7,341
Tertiary Education Institutions	366	366	304
Total operating commitments	18,889	19,381	15,923
Total commitments	27,339	28,304	24,671
Total Commitments by Segment			
Core Crown	10,564	22,129	10,253
Crown entities	12,178	12,925	10,596
State-owned Enterprises	10,438	10,410	7,915
Inter-segment eliminations	(5,841)	(17,160)	(4,093)
Total commitments	27,339	28,304	24,671

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 May 2012

	As at 31 May 2012 \$m	As at 30 Jun 2011 \$m	As at 31 May 2011 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	312	78	102
Uncalled capital	6,528	5,287	5,437
Legal proceedings and disputes	361	331	386
Other contingent liabilities	1,017	1,445	1,757
Total quantifiable contingent liabilities	8,218	7,141	7,682
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,995	6,884	7,366
Crown entities	89	173	261
State-owned Enterprises	134	84	55
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,218	7,141	7,682
Quantifiable Contingent Assets			
Core Crown	684	702	701
Crown entities	20	2	3
Total quantifiable contingent assets	704	704	704

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	11 months to 31 May 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	19,030	Source deductions	19,310	19,215	95	0.5	21,169
3,791	3,442	Other persons	3,875	3,846	29	0.8	4,242
(1,679)	(1,327)	Refunds	(1,363)	(1,341)	(22)	(1.6)	(1,657)
462	432	Fringe benefit tax	437	419	18	4.3	444
23,431	21,577	Total individuals	22,259	22,139	120	0.5	24,198
Corporate Tax							
6,687	5,983	Gross companies tax	7,354	7,054	300	4.3	8,019
(197)	(187)	Refunds	(193)	(255)	62	24.3	(274)
467	446	Non-resident withholding tax	441	426	15	3.5	451
-	(1)	Foreign-source dividend w/holding payments	4	4	-	-	5
6,957	6,241	Total corporate tax	7,606	7,229	377	5.2	8,201
Other Income Tax							
1,704	1,554	Resident w/holding tax on interest income	1,539	1,527	12	0.8	1,671
195	177	Resident w/holding tax on dividend income	270	257	13	5.1	288
2	2	Estate and gift duties	-	-	-	-	-
1,901	1,733	Total other income tax	1,809	1,784	25	1.4	1,959
32,289	29,551	Total income tax	31,674	31,152	522	1.7	34,358
Goods and Services Tax							
23,484	21,506	Gross goods and services tax	23,121	23,523	(402)	(1.7)	25,853
(9,776)	(8,920)	Refunds	(9,572)	(10,166)	594	5.8	(11,212)
13,708	12,586	Total goods and services tax	13,549	13,357	192	1.4	14,641
Other Taxation							
1,016	936	Road user charges	966	961	5	0.5	1,038
872	792	Petroleum fuels excise - domestic production	756	798	(42)	(5.3)	885
623	611	Alcohol excise - domestic production	605	601	4	0.7	665
220	182	Tobacco excise - domestic production	224	252	(28)	(11.1)	254
575	534	Petroleum fuels excise - imports ¹	584	563	21	3.7	602
229	213	Alcohol excise - imports ¹	224	224	-	-	240
924	899	Tobacco excise - imports ¹	906	927	(21)	(2.3)	957
188	174	Other customs duty	162	171	(9)	(5.3)	190
214	193	Gaming duties	201	209	(8)	(3.8)	229
172	157	Motor vehicle fees	160	159	1	0.6	174
36	31	Energy resources levies	31	30	1	3.3	33
62	57	Approved issuer levy and cheque duty	66	56	10	17.9	65
5,131	4,779	Total other indirect taxation	4,885	4,951	(66)	(1.3)	5,332
18,839	17,365	Total indirect taxation	18,434	18,308	126	0.7	19,973
51,128	46,916	Total taxation revenue	50,108	49,460	648	1.3	54,331
Other Sovereign Revenue (accrual)							
3,586	3,340	ACC levies	3,387	3,373	14	0.4	3,670
312	283	Fire Service levies	297	293	4	1.4	322
88	81	EQC levies	94	89	5	5.6	98
1,295	1,073	Other miscellaneous items	851	877	(26)	(3.0)	1,022
5,281	4,777	Total other sovereign revenue	4,629	4,632	(3)	(0.1)	5,112
56,409	51,693	Total sovereign revenue	54,737	54,092	645	1.2	59,443

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	11 months to 31 May 2011 Actual \$m		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	18,957	Source deductions	19,106	19,120	(14)	(0.1)	21,011
4,386	4,144	Other persons	4,379	4,443	(64)	(1.4)	4,890
(2,463)	(2,218)	Refunds	(2,174)	(2,257)	83	3.7	(2,558)
457	442	Fringe benefit tax	450	427	23	5.4	440
23,079	21,325	Total individuals	21,761	21,733	28	0.1	23,783
Corporate Tax							
7,588	7,124	Gross companies tax	8,065	7,835	230	2.9	8,285
(772)	(703)	Refunds	(633)	(653)	20	3.1	(729)
462	441	Non-resident withholding tax	434	407	27	6.6	432
(1)	(2)	Foreign-source dividend w/holding payments	4	4	-	-	5
7,277	6,860	Total corporate tax	7,870	7,593	277	3.6	7,993
Other Income Tax							
1,701	1,567	Resident w/holding tax on interest income	1,537	1,543	(6)	(0.4)	1,670
196	175	Resident w/holding tax on dividend income	272	254	18	7.1	288
2	2	Estate and gift duties	-	-	-	-	-
1,899	1,744	Total other income tax	1,809	1,797	12	0.7	1,958
32,255	29,929	Total income tax	31,440	31,123	317	1.0	33,734
Goods and Services Tax							
22,162	20,170	Gross goods and services tax	22,565	22,627	(62)	(0.3)	25,024
(9,177)	(8,371)	Refunds	(9,680)	(9,979)	299	3.0	(10,912)
12,985	11,799	Total goods and services tax	12,885	12,648	237	1.9	14,112
Other Taxation							
1,015	934	Road user charges	970	961	9	0.9	1,038
869	793	Petroleum fuels excise - domestic production	767	796	(29)	(3.6)	885
625	578	Alcohol excise - domestic production	602	613	(11)	(1.8)	665
181	168	Tobacco excise - domestic production	227	239	(12)	(5.0)	254
2,005	1,814	Customs duty	1,870	1,856	14	0.8	1,989
216	194	Gaming duties	201	209	(8)	(3.8)	229
171	130	Motor vehicle fees	153	159	(6)	(3.8)	174
36	31	Energy resources levies	31	30	1	3.3	33
60	56	Approved issuer levy and cheque duty	62	57	5	8.8	65
5,178	4,698	Total other indirect taxation	4,883	4,920	(37)	(0.8)	5,332
18,163	16,497	Total indirect taxation	17,768	17,568	200	1.1	19,444
50,418	46,426	Total tax receipts collected	49,208	48,691	517	1.1	53,178
Other Sovereign Receipts (cash)							
3,612	3,363	ACC levies	3,423	3,434	(11)	(0.3)	3,703
312	283	Fire Service levies	297	293	4	1.4	322
88	82	EQC levies	110	89	21	23.6	121
681	614	Other miscellaneous items	673	671	2	0.3	743
4,693	4,342	Total other sovereign receipts	4,503	4,487	16	0.4	4,889
55,111	50,768	Total sovereign receipts	53,711	53,178	533	1.0	58,067

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	11 months to 31 May 2011	Actual \$m	Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Interest Revenue and Dividends								
By type								
		2,142	2,234	2,080	2,154	(74)	(3.4)	2,383
		428	376	445	406	39	9.6	441
		2,570	2,610	2,525	2,560	(35)	(1.4)	2,824
By source								
		2,169	1,529	1,682	1,710	(28)	(1.6)	1,856
		1,234	1,104	1,072	983	89	9.1	1,126
		801	712	782	772	10	1.3	838
		(1,634)	(735)	(1,011)	(905)	(106)	(11.7)	(996)
		2,570	2,610	2,525	2,560	(35)	(1.4)	2,824
NOTE 3: Social Assistance and Official Development Assistance								
		8,830	8,068	8,765	8,768	3	-	9,587
		1,757	1,610	1,663	1,668	5	0.3	1,818
		943	873	821	821	-	-	888
		1,306	1,196	1,216	1,217	1	0.1	1,326
		2,139	1,882	1,820	1,851	31	1.7	2,111
		1,197	1,100	1,099	1,104	5	0.5	1,203
		743	680	711	710	(1)	(0.1)	774
		620	553	578	580	2	0.3	649
		409	376	369	370	1	0.3	403
		1,042	957	631	641	10	1.6	708
		2,691	2,449	2,230	2,249	19	0.8	2,532
		21,677	19,744	19,903	19,979	76	0.4	21,999
		495	399	419	449	30	6.7	535
		22,172	20,143	20,322	20,428	106	0.5	22,534
NOTE 4: Personnel Expenses								
		5,996	5,428	5,347	5,348	1	-	5,860
		10,410	9,431	9,818	9,805	(13)	(0.1)	10,655
		2,695	2,405	2,527	2,566	39	1.5	2,810
		(13)	(9)	(9)	(9)	-	-	(10)
		19,088	17,255	17,683	17,710	27	0.2	19,315
NOTE 5: Operating Expenses								
By type								
		4,682	4,322	4,056	4,080	24	0.6	4,520
		35,829	30,821	31,807	32,118	311	1.0	36,386
		-	-	-	-	-	-	87
		-	-	-	(200)	(200)	(100.0)	(450)
		40,511	35,143	35,863	35,998	135	0.4	40,543
By source								
		39,157	33,722	33,072	33,353	281	0.8	37,665
		17,905	16,550	16,395	16,393	(2)	-	17,967
		9,567	8,837	10,258	10,260	2	-	11,289
		(26,118)	(23,966)	(23,862)	(24,008)	(146)	(0.6)	(26,378)
		40,511	35,143	35,863	35,998	135	0.4	40,543

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	11 months to 31 May 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	3,227	Interest on financial liabilities	3,687	3,759	72	1.9	4,128
51	63	Interest unwind on provisions	51	38	(13)	(34.2)	45
3,596	3,290	Total interest expenses	3,738	3,797	59	1.6	4,173
		<i>By source</i>					
3,066	2,794	Core Crown	3,214	3,259	45	1.4	3,553
248	220	Crown entities	223	229	6	2.6	244
1,027	934	State-owned Enterprises	1,012	1,009	(3)	(0.3)	1,104
(745)	(658)	Inter-segment eliminations	(711)	(700)	11	1.6	(728)
3,596	3,290	Total interest expenses	3,738	3,797	59	1.6	4,173
		NOTE 7: Insurance Expenses					
		<i>By entity</i>					
2,979	2,728	ACC	2,851	2,886	35	1.2	3,138
11,776	6,340	EQC	995	954	(41)	(4.3)	958
(163)	22	Other insurance expenses	355	293	(62)	(21.2)	355
14,592	9,090	Total insurance expenses	4,201	4,133	(68)	(1.6)	4,451
		NOTE 8: Gains and Losses on Financial Instruments					
		<i>By source</i>					
4,116	4,336	Core Crown	140	337	(197)	(58.5)	558
1,058	1,238	Crown entities	1,006	695	311	44.7	650
(281)	(160)	State-owned Enterprises	(384)	(236)	(148)	(62.7)	(262)
(274)	(507)	Inter-segment eliminations	(868)	(710)	(158)	(22.3)	(29)
4,619	4,907	Net gains/(losses) on financial instruments	(106)	86	(192)	(223.3)	917
		NOTE 9: Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
(574)	287	Actuarial gains/(losses) on GSF liability	(2,212)	(2,212)	-	-	(2,212)
996	(35)	Actuarial gains/(losses) on ACC liability	(3,352)	(1,676)	(1,676)	(100.0)	(1,671)
(343)	347	Other	437	510	(73)	(14.3)	512
79	599	Net gains/(losses) on non-financial instruments	(5,127)	(3,378)	(1,749)	(51.8)	(3,371)
		<i>By source</i>					
(589)	477	Core Crown	(2,141)	(2,120)	(21)	(1.0)	(2,129)
931	(55)	Crown entities	(3,367)	(1,688)	(1,679)	(99.5)	(1,691)
(264)	176	State-owned Enterprises	380	431	(51)	(11.8)	448
1	1	Inter-segment eliminations	1	(1)	2	200.0	1
79	599	Net gains/(losses) on non-financial instruments	(5,127)	(3,378)	(1,749)	(51.8)	(3,371)
		NOTE 10: Operating Balance					
		<i>By source</i>					
(9,267)	(5,411)	Core Crown	(8,709)	(9,594)	885	9.2	(11,098)
(3,143)	424	Crown entities	(1,005)	236	(1,241)	-	347
327	781	State-owned Enterprises	252	380	(128)	(33.7)	419
(1,277)	(815)	Inter-segment eliminations	(1,481)	(1,145)	(336)	(29.3)	(310)
(13,360)	(5,021)	Total operating balance	(10,943)	(10,123)	(820)	(8.1)	(10,642)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 May 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	10,224	Cash and cash equivalents	10,904	15,240	(4,336)	(28.5)	14,899
7,104	6,742	Tax receivables	6,840	7,045	(205)	(2.9)	7,196
14,586	13,051	Trade and other receivables	14,384	13,390	994	7.4	13,370
7,460	7,317	Student loans	7,999	8,018	(19)	(0.2)	8,238
11,495	11,409	Kiwibank mortgages	12,353	12,527	(174)	(1.4)	12,637
2,259	3,018	Long-term deposits	2,208	1,627	581	35.7	1,888
2,168	2,181	IMF financial assets	2,350	2,213	137	6.2	2,228
1,612	1,379	Other advances	1,254	1,097	157	14.3	1,216
14,248	13,967	Share investments	14,281	14,282	(1)	-	14,470
5,415	5,682	Derivatives in gain	4,300	5,133	(833)	(16.2)	4,989
39,214	38,833	Other marketable securities	41,235	34,504	6,731	19.5	34,716
115,362	113,803	Total financial assets and sovereign receivables	118,108	115,076	3,032	2.6	115,847
Financial assets by entity							
29,928	30,093	NZDMO	26,311	25,185	1,126	4.5	25,455
17,909	18,153	Reserve Bank of New Zealand	19,423	17,289	2,134	12.3	17,352
18,687	18,998	NZ Superannuation Fund	18,916	18,982	(66)	(0.3)	19,101
19,116	18,376	Other core Crown	20,091	20,103	(12)	(0.1)	19,269
(9,165)	(9,318)	Intra-segment eliminations	(8,622)	(8,419)	(203)	(2.4)	(7,188)
76,475	76,302	Total core Crown segment	76,119	73,140	2,979	4.1	73,989
21,569	21,973	ACC portfolio	25,952	25,843	109	0.4	25,873
9,305	8,620	EQC portfolio	7,370	7,463	(93)	(1.2)	7,024
8,831	6,819	Other Crown entities	9,022	8,791	231	3	8,723
(3,314)	(1,550)	Intra-segment eliminations	(3,447)	(3,491)	44	1.3	(3,498)
36,391	35,862	Total Crown entities segment	38,897	38,606	291	0.8	38,122
20,241	17,908	Total State-owned enterprises segment	21,543	20,758	785	3.8	20,756
(17,745)	(16,269)	Inter-segment eliminations	(18,451)	(17,428)	(1,023)	(5.9)	(17,020)
115,362	113,803	Total financial assets	118,108	115,076	3,032	2.6	115,847

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 May 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>							
35,111	35,755	Land (valuation) ¹	35,071	35,194	(123)	(0.3)	35,341
24,539	24,260	Buildings (valuation)	24,452	24,515	(63)	(0.3)	24,980
2,690	2,576	Electricity distribution network (cost)	3,151	3,350	(199)	(5.9)	3,412
14,439	13,750	Electricity generation assets (valuation)	14,712	14,836	(124)	(0.8)	14,900
1,805	2,270	Aircraft (excl military) (valuation)	2,206	2,215	(9)	(0.4)	2,066
17,713	18,029	State highways (valuation) - excluding land	18,296	18,411	(115)	(0.6)	18,391
7,100	7,092	Rail network (valuation) - excluding land	7,274	7,227	47	0.7	7,244
3,331	3,376	Specialist military equipment (valuation)	3,222	3,323	(101)	(3.0)	3,273
2,456	2,619	Specified cultural and heritage assets (valuation)	2,463	2,469	(6)	(0.2)	2,483
5,670	5,617	Other plant and equipment (cost)	5,812	5,596	216	3.9	5,918
114,854	115,344	Total net carrying value	116,659	117,136	(477)	(0.4)	118,008
<i>By source:</i>							
29,549	29,956	Core Crown	29,259	29,520	(261)	(0.9)	29,686
48,480	49,095	Crown entities	49,209	49,340	(131)	(0.3)	49,798
36,825	36,293	State-owned enterprises	38,191	38,276	(85)	(0.2)	38,524
-	-	Inter-segment eliminations	-	-	-	-	-
114,854	115,344	Total net carrying value	116,659	117,136	(477)	(0.4)	118,008
<i>Land breakdown by usage¹</i>							
8,423	8,529	Housing	8,412	8,427	(15)	(0.2)	8,415
7,413	7,741	State highway corridor land	7,413	7,413	-	-	7,513
5,677	5,738	Conservation land	5,691	5,686	5	0.1	5,685
5,641	5,659	Rail network	5,641	5,641	-	-	5,641
2,718	2,797	Schools	2,705	2,717	(12)	(0.4)	2,721
1,531	1,538	Commercial (SOE) excluding rail	1,544	1,546	(2)	(0.1)	1,553
3,708	3,753	Other	3,665	3,764	(99)	(2.6)	3,813
35,111	35,755	Total land	35,071	35,194	(123)	(0.3)	35,341
1. Land relating to state highways, the rail network and conservation which had previously been included within the State highways, Rail network and Specified cultural and heritage assets categories has been reclassified to the Land category.							
Schedule of movements							
Cost or valuation							
123,941	123,941	Opening balance	126,601	126,601	-	-	126,601
6,644	6,299	Additions	6,518	6,876	(358)	(5.2)	7,327
(1,283)	(591)	Disposals	(510)	(279)	(231)	(82.8)	(465)
(2,471)	(347)	Net revaluations	(162)	(140)	(22)	(15.7)	(9)
(230)	(285)	Other	(379)	(373)	(6)	(1.6)	444
126,601	129,017	Total cost or valuation	132,068	132,685	(617)	(0.5)	133,898
Accumulated depreciation and impairment							
10,611	10,611	Opening balance	11,747	11,747	-	-	11,747
(832)	(308)	Eliminated on disposal	(412)	(133)	(279)	(209.8)	(158)
(1,884)	(31)	Eliminated on revaluation	(43)	(44)	1	2	(44)
3,727	3,349	Depreciation expense	3,498	3,521	(23)	(0.7)	3,900
125	52	Other	619	458	161	35.2	445
11,747	13,673	Total accumulated depreciation and impairment	15,409	15,549	(140)	(0.9)	15,890
114,854	115,344	Total property, plant and equipment	116,659	117,136	(477)	(0.4)	118,008

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 May 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 12 (continued): Property, Plant and Equipment							
Additions - by functional classification							
2,807	2,646	Transport and communications	2,024	2,204	(180)	(8.2)	2,396
1,200	1,030	Economic and industrial services	1,637	1,689	(52)	(3.1)	1,928
648	816	Education	1,379	1,417	(38)	(2.7)	753
617	558	Health	569	523	46	8.8	749
258	229	Defence	179	224	(45)	(20.1)	436
1,114	1,020	Other	730	819	(89)	(10.9)	1,065
6,644	6,299	Total additions	6,518	6,876	(358)	(5.2)	7,327
NOTE 13: NZ Superannuation Fund							
Year 11 months to 30 Jun 2011		Year 11 months to 31 May 2011		Current Year Actual vs Forecast			
\$m	\$m		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
518	452	Revenue	479	468	11	2.4	516
872	-	Less current tax expense	(64)	142	206	145.1	175
169	1,034	Less other expenses ¹	103	115	12	10.4	132
3,518	3,786	Add gains/(losses)	(692)	(211)	(481)	(228.0)	(100)
2,995	3,204	Operating balance	(252)	-	(252)	-	109
15,656	15,656	Opening net worth	18,652	18,652	-	-	18,652
2,995	3,204	Operating balance	(252)	-	(252)	-	109
1	-	Other movements in reserves	8	14	(6)	(42.9)	16
18,652	18,860	Closing net worth	18,408	18,666	(258)	(1.4)	18,777
comprising:							
18,687	18,998	Financial assets	18,916	18,982	(66)	(0.3)	19,101
(1,161)	(1,159)	Financial liabilities	(1,680)	(1,532)	(148)	(9.7)	(1,560)
1,126	1,021	Net other assets	1,172	1,216	(44)	(3.6)	1,236
18,652	18,860	Closing net worth	18,408	18,666	(258)	(1.4)	18,777
Core Crown revenue (excl NZS Fund)							
57,550	51,868	Core Crown revenue	55,220	54,531	689	1.3	60,031
518	452	Less NZS Fund revenue	479	468	11	2.4	516
872	-	Add back NZS Fund intra-segment revenue	(64)	142	(206)	(145.1)	175
57,904	51,416	Core Crown revenue (excl NZS Fund)	54,677	54,205	472	0.9	59,690
OBEGAL excluding NZS Fund							
(18,396)	(10,752)	Total Crown OBEGAL	(5,912)	(7,041)	1,129	16.0	(8,441)
518	452	Less NZS Fund revenue	479	468	11	2.4	516
111	106	Add back NZS Fund external expenses	60	82	(22)	(26.8)	94
872	-	Add back NZS Fund tax	(64)	142	(206)	(145.1)	175
(17,931)	(11,098)	OBEGAL excluding NZS Fund	(6,395)	(7,285)	890	12.2	(8,688)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 May 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Payables							
7,337	7,407	Accounts payable	9,705	8,579	(1,126)	(13.1)	9,564
3,762	3,286	Taxes repayable	2,752	3,193	441	13.8	3,302
11,099	10,693	Total payables	12,457	11,772	(685)	(5.8)	12,866
NOTE 15: Insurance liabilities							
26,939	28,146	ACC liability	31,229	29,555	(1,674)	(5.7)	29,433
10,570	5,342	EQC property damage liability	8,923	9,078	155	1.7	8,643
2,082	-	AMI Liability	1,859	1,771	(88)	(5.0)	1,764
59	51	Other insurance liabilities	58	60	2	3.3	71
(336)	-	Inter-segment eliminations	(336)	(336)	-	-	(6)
39,314	33,539	Total insurance liabilities	41,733	40,128	(1,605)	(4.0)	39,905
NOTE 16: Provisions							
612	644	Provision for ETS Credits	578	659	81	12.3	889
983	991	Provision for National Provident Fund guarantee	938	923	(15)	(1.6)	911
3,050	2,887	Provision for employee entitlements	3,043	2,889	(154)	(5.3)	3,073
1,039	-	Provision for Canterbury Red Zone support package	424	441	17	3.9	280
567	-	Provision for weathertight services financial assistance package	358	358	-	-	358
1,335	1,654	Other provisions	1,092	1,075	(17)	(1.6)	1,256
7,586	6,176	Total provisions	6,433	6,345	(88)	(1.4)	6,767
NOTE 17: Changes in Net Worth							
31,087	31,087	Opening taxpayers funds	18,188	18,188	-	-	18,188
(13,360)	(5,021)	Operating balance excluding minority interest	(10,943)	(10,123)	(820)	(8.1)	(10,642)
461	222	Transfers from/(to) other reserves	158	153	5	3.3	27
18,188	26,288	Closing taxpayers funds	7,403	8,218	(815)	(9.9)	7,573
63,593	63,593	Opening revaluation reserve	62,690	62,690	-	-	62,690
(443)	(416)	Net revaluations	(39)	(59)	20	33.9	(47)
(460)	(223)	Transfers from/(to) other reserves	(161)	(154)	(7)	(4.5)	(25)
62,690	62,954	Closing revaluation reserve	62,490	62,477	13	-	62,618
(94)	(94)	Opening other reserves	(299)	(299)	-	-	(299)
(205)	(213)	Net movements	245	89	156	175.3	103
(299)	(307)	Closing other reserves	(54)	(210)	156	74.3	(196)

NOTES TO THE FINANCIAL STATEMENTS

Year 11 months to 30 Jun 2011 \$m		11 months to 31 May 2011 \$m		Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 18: Core Crown residual cash								
Core Crown Cash Flows from Operations								
51,454	47,407	Tax receipts		49,877	49,416	461	0.9	53,953
646	582	Other sovereign receipts		600	598	2	0.3	664
1,817	1,178	Interest, profits and dividends		1,344	1,366	(22)	(1.6)	1,469
2,094	1,997	Sale of goods & services and other receipts		2,500	2,517	(17)	(0.7)	2,735
(22,226)	(20,343)	Transfer payments and subsidies		(20,936)	(21,000)	64	0.3	(23,062)
(40,433)	(37,703)	Personnel and operating costs		(36,992)	(37,455)	463	1.2	(40,960)
(2,637)	(2,318)	Finance costs		(3,118)	(3,117)	(1)	-	(3,398)
-	-	Forecast for future new operating spending		-	-	-	-	(87)
-	-	Top-down expense adjustment		-	200	(200)	(100.0)	450
(9,285)	(9,200)	Net core Crown operating cash flows		(6,725)	(7,475)	750	10.0	(8,236)
(1,524)	(1,341)	Net purchase of physical assets		(1,124)	(1,280)	156	12.2	(1,631)
(1,242)	(1,134)	Net increase in advances		(913)	(1,067)	154	14.4	(1,080)
(1,292)	(1,198)	Net purchase of investments		(1,110)	(1,083)	(27)	(2.5)	(1,334)
-	-	Forecast for future new capital spending		-	-	-	-	(88)
-	-	Top-down capital adjustment		-	100	(100)	(100.0)	250
(4,058)	(3,673)	Net Core Crown capital cash flows		(3,147)	(3,330)	183	5.5	(3,883)
(13,343)	(12,873)	Residual cash deficit		(9,872)	(10,805)	933	8.6	(12,119)
<i>The residual cash deficit is funded as follows:</i>								
Debt programme cash flows								
Market:								
19,468	18,427	Issue of government bonds		14,054	15,125	(1,071)	(7.1)	17,012
-	-	Repayment of government bonds		(7,602)	(7,602)	-	-	(7,602)
(422)	(108)	Net issue/(repayment) of short-term borrowing ¹		1,782	1,784	(2)	(0.1)	1,342
19,046	18,319	Total market debt cash flows		8,234	9,307	(1,073)	(11.5)	10,752
Non market:								
270	270	Issue of government bonds		-	-	-	-	-
(803)	(661)	Repayment of government bonds		(1,501)	(1,501)	-	-	(1,501)
(125)	15	Net issue/(repayment) of short-term borrowing		430	(50)	480	-	(50)
(658)	(376)	Total non-market debt cash flows		(1,071)	(1,551)	480	30.9	(1,551)
18,388	17,943	Total debt programme cash flows		7,163	7,756	(593)	(7.6)	9,201
Other borrowing cash flows								
(1,096)	(2,302)	Net (repayment)/issue of other New Zealand dollar borrowing		7,177	8,356	(1,179)	(14.1)	8,641
1,469	3,336	Net (repayment)/issue of foreign currency borrowing		(6,765)	(8,289)	1,524	18.4	(8,406)
373	1,034	Total other borrowing cash flows		412	67	345	4.3	235
Investing cashflows								
(4,791)	(4,220)	Other net sale/(purchase) of marketable securities and deposits		2,426	6,460	(4,034)	(62.4)	6,360
234	270	Issues of circulating currency		247	338	(91)	(26.9)	306
(861)	(2,154)	Decrease/(increase) in cash		(376)	(3,816)	3,440	90.1	(3,983)
(5,418)	(6,104)	Total investing cash flows		2,297	2,982	(685)	(23.0)	2,683
13,343	12,873	Residual cash deficit funding		9,872	10,805	(933)	(8.6)	12,119

1. Short-term borrowing consists of Treasury Bills and may include Euro-Commercial Paper

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: Subsequent events

On 27 June 2012, the Government announced the restructure of KiwiRail. While valuations have not been finalised, the announcement included an indication that KiwiRail's land and network net assets would possibly be written down from about \$13.4 billion to about \$6.7 billion, with an approximate \$1.8 billion impact on the operating balance. Because the announcement of the restructure occurred after 31 May, its impacts were not included in the May results. Any impact of the restructure will be reflected in the 30 June financial statements of the Government.