

Financial Statements of the Government of New Zealand

For the Ten Months Ended
30 April 2013



Prepared by the Treasury
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New Zealand Government

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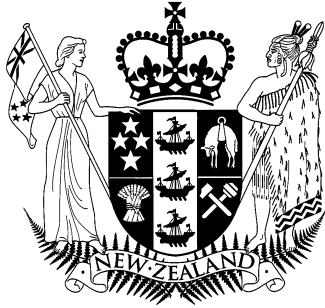
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the ten months ended 30 April 2013 and its financial position as at that date.

The April results are reported against forecasts based on the *2013 Budget Economic and Fiscal Update (BEFU)*, published on 16 May 2013.

At a Glance

Table 1 – Key indicators for the ten months ended 30 April 2013 compared to BEFU

	Year to date				Full Year
	April 2013	April 2013 BEFU Forecast ¹	Variance to BEFU \$m	Variance to BEFU %	June 2013 BEFU Forecast ²
\$ million	Actual¹	Forecast¹			
Core Crown					
Core Crown tax revenue	48,204	47,718	486	1.0	58,286
Core Crown revenue	52,667	52,243	424	0.8	63,809
Core Crown expenses	57,831	57,934	103	0.2	71,649
Core Crown residual cash	(9,644)	(10,173)	529	5.2	(7,750)
Gross debt ³	79,682	78,823	(859)	(1.1)	78,636
<i>as a percentage of GDP</i>	38.1%	37.7%			36.8%
Net debt ⁴	60,055	60,496	441	0.7	57,945
<i>as a percentage of GDP</i>	28.7%	28.9%			27.1%
Total Crown					
Operating balance before gains and losses	(3,990)	(4,653)	663	14.2	(6,285)
Operating balance	2,810	2,953	(143)	(4.8)	1,918
Net worth attributable to the Crown	62,187	62,446	(259)	(0.4)	61,476

1 Using GDP for the year ended 31 December 2012 of \$209,324 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2013 of \$213,844 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 ten months ended 30 April 2013

The Operating Balance Before Gains and Losses (OBEGAL) deficit was \$664 million lower than forecast at \$4.0 billion, primarily reflecting higher than expected tax revenue.

Core Crown tax revenue was \$486 million higher than forecast, with corporate tax \$532 million above forecast. Just over half this variance is thought to be the result of higher corporate profitability, partly resulting from continued strength in equity markets. The remainder is a timing difference with some large taxpayers filing returns in April, earlier than expected. Other tax types were broadly in line with forecast.

Core Crown expenses were close to forecast at \$57.8 billion.

The **operating balance surplus** was \$2.8 billion, \$142 million below forecast. In addition to the \$664 million lower OBEGAL deficit was a \$759 million positive variance from the Crown's investment portfolios, with the NZS Fund recording net gains of \$737 million above forecast. Offsetting this result was an unfavourable variance in relation to ACC's outstanding claims liability that was \$1.5 billion above forecast, mainly due to a lower discount rate at the end of April compared to that used in the forecast.

The **residual cash deficit** was \$529 million lower than expected. This reflected:

- Higher tax receipts than forecast (\$258 million or 0.6%), with GST and other direct taxes \$112 million and \$111 million higher than forecast respectively; and
- Lower than expected operating payments (\$287 million) due to a number of cash underspends, the largest by the Ministry of Education (\$155 million).

Net debt was \$441 million lower than forecast largely reflecting the residual cash result.

Gross debt was \$859 million above forecast at \$79.7 billion (38.1% of GDP). This higher debt was mostly due to the Reserve Bank's financial liabilities being higher than forecast (\$763 million), as part of its normal liquidity management activities. This variance is net debt neutral because the higher holdings of liabilities were offset by (correspondingly) higher holdings of financial assets.

Further analysis of the April results follows.

ANALYSIS

Table 2 – Key indicator variances for the ten months ended 30 April 2013 compared to *BEFU*:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$424 million (higher than forecast)	<p>Core Crown tax revenue was the key driver of this result at \$486m (1.0%) higher than forecast. The main component of this difference was:</p> <p>Corporate tax: \$532m (7.7%) above forecast. Just over half of this variance is thought to be the result of higher corporate profitability, partly resulting from continued strength in equity markets. The June quarter is the peak time for the filing of annual tax returns. If the May and June filers follow the lead of the April filers, then this portion of the variance could widen by year end. The remainder is a timing difference with some large taxpayers filing returns in April, earlier than expected.</p> <p>Other tax types and other core Crown revenue were close to forecast.</p>
Core Crown expenses	\$103 million (lower than forecast)	<p>Core Crown expenses at \$57.8b were 0.2% below forecast, with the main underspends being:</p> <ul style="list-style-type: none"> Ministry of Education expenses were \$56m below forecast, of which \$24m relates to lower than forecast student numbers and lower uptake of demand driven programmes. NZDF expenses were \$40m below forecast, of which \$26m related to the deferral of various projects due to resourcing and contract issues, the unavailability of resources, cancellation of activities and the withdrawal of deployed forces from Afghanistan and East Timor. The majority of this underspend will persist to year end.
Core Crown residual cash deficit	\$529 million (lower than forecast)	<p>Core Crown tax receipts were \$258m higher than expected with:</p> <ul style="list-style-type: none"> Other direct taxes \$111m (6.5%) higher than expected. The level of dividend payments in March, was even bigger than the increase built in to the forecast. This has pushed resident withholding tax (RWT) in April well above forecast, but poses a downside risk to next year's RWT receipts. While GST was \$112m (1.1%) higher than expected, other tax types were close to forecast. <p>Operating payments were \$287m lower than forecast, also driving down the forecast residual cash deficit, with the main cash underspends being:</p> <ul style="list-style-type: none"> Ministry of Education cash payments were \$155m below forecast mainly due to similar reasons as the expense variance. The balance was made up of reasonably small underspends across a number of departments.
Gross debt	(\$859 million) (higher than forecast)	<p>Gross debt at \$79.7b was 1.1% higher than forecast largely owing to the Reserve Bank's financial liabilities being higher than forecast (\$763m). This balance tends to fluctuate during the year depending on liquidity requirements. This variance is net debt neutral because the higher holdings of liabilities were offset by (corresponding) higher holdings of financial assets.</p>

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

Item/indicator	Variance¹	Key drivers
Net debt	\$441 million (lower than forecast)	At \$60.1b, or 28.7% of GDP, net debt was \$441m below forecast. The result was largely owing to the better-than-expected residual cash result explained earlier.
Total Crown		
Operating balance before gains and losses deficit	\$664 million (lower than forecast)	The OBEGAL deficit at \$4.0b was \$664m lower than forecast. The key drivers of the OBEGAL deficit were the impact of higher-than-expected tax revenue (\$486m) and lower-than-expected core Crown expenditure (\$103m) as discussed earlier.
Operating balance	(\$142 million) (lower than forecast)	In addition to the \$664m lower OBEGAL deficit mentioned above was a \$759m positive variance from the Crown's investment portfolios, with the NZS Fund recording net gains of \$737m above forecast. Offsetting this result was an unfavourable variance in relation to ACC's outstanding claims liability that was \$1.5b above forecast. This was mainly due to a lower discount rate at the end of April compared to that used in the forecast.
Net worth attributable to the Crown	(\$259 million) (lower than forecast)	Net worth was lower than forecast, at \$62.2b, largely reflecting the operating balance result.

Table 3 – Fiscal Strategy and financial results

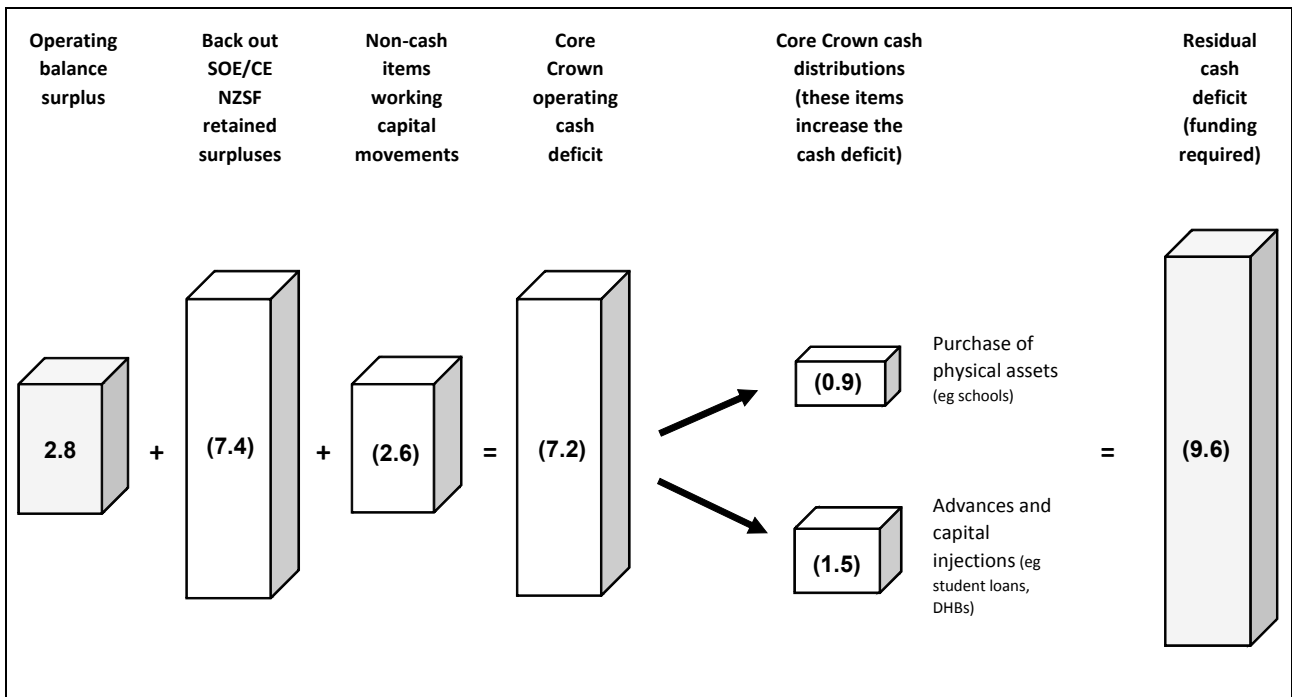
Fiscal Strategy		Financial Results		Ref	30 April 2013 Actual \$m	30 April 2013 Forecast \$m	Variance \$m	Variance ² %	Annual Forecast \$m
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.6%	27.4%					27.3%
	Core Crown taxation revenue ...		48,204	47,718	486	1.0		58,286	
	... combined with other core Crown revenue ...		4,463	4,525	(62)	(1.4)		5,523	
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP	... fund core Crown expenses...		(57,831)	(57,934)	103	0.2		(71,649)	
	... and with SOE and Crown entity results and core Crown gains and losses...		7,974	8,643	(669)	(7.7)		9,758	
	... result in an operating surplus or deficit...		2,810	2,952	(142)	(4.8)		1,918	
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...		(7,381)	(8,261)	880	10.7		(9,406)	
	... and some items do not impact cash ...		(2,650)	(2,448)	(202)	(8.3)		1,562	
	... leaving operating cash flows to ...		(7,221)	(7,757)	536	6.9		(5,926)	
	... meet the capital expenditure budget ...		(954)	(927)	(27)	(2.9)		(1,504)	
	... and make advances (e.g. to students and DHBs)		(1,469)	(1,489)	20	1.3		(320)	
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	With the residual cash ...		(9,644)	(10,173)	529	5.2		(7,750)	
	... when combined with opening net debt ...		50,671	50,671	-	-		50,671	
	... and fair value movements and other changes in financial assets and financial liabilities ...		(260)	(348)	(88)	(25.3)		(476)	
	... results in a closing net debt ...		60,055	60,496	441	0.7		57,945	
	... and as a % of GDP		28.7%	28.9%				27.1%	

1 GDP for the ten months ended 30 April 2013 (actual and forecast) is the actual data for the year ended 31 December 2012 (Source: Statistics New Zealand) pro-rated for ten months.

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

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

	April 2013	April 2012	Change ¹	Change
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	48,204	45,092	3,112	6.9
Other revenue	4,463	4,228	235	5.6
Total Core Crown Revenue	52,667	49,320	3,347	6.8
Core Crown expenses				
Social security and welfare	18,644	18,239	405	2.2
GSF pension expenses	231	158	73	46.2
Health	12,002	11,784	218	1.8
Education	9,837	9,735	102	1.0
Core government services	4,275	3,335	940	28.2
Law and order	2,840	2,793	47	1.7
Defence	1,461	1,424	37	2.6
Transport and communications	1,759	1,791	(32)	(1.8)
Economic and industrial services	1,637	1,674	(37)	(2.2)
Primary services	513	507	6	1.2
Heritage, culture and recreation	673	757	(84)	(11.1)
Environmental protection	390	629	(239)	(38.0)
Housing and community development	165	33	132	400.0
Other	357	328	29	8.8
Finance costs	3,047	2,945	102	3.5
Total Core Crown Expenses	57,831	56,132	1,699	3.0
Net surplus of SOE/CE's (and inter-segment eliminations)	1,174	870	304	34.9
OBEGAL	(3,990)	(5,942)	1,952	32.9
Total gains/(losses)	6,505	(3,262)	9,767	299.4
Other operating items	295	205	90	43.9
Operating Balance	2,810	(8,999)	11,809	131.2
Core Crown residual cash	(9,644)	(12,124)	2,481	20.5
Debt indicators				
Gross debt²	79,682	78,054	1,628	2.1
Net debt³	60,055	52,031	8,024	15.4

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 ten months ended 30 April 2013 increased by \$3,112 million (6.9%) on the same period last year. Other individuals' tax continued to show strong growth (up 31.0% on last year driven by a higher effective tax rate) and both source deductions and corporate tax showing 5.0% and 7.3% growth respectively.

Total **core Crown expenses** increased by \$1,699 million (3.0%) on the same period last year:

Functional expense	Movement from previous year	Main drivers of the change
Increases:		
Core government services	+ \$940 million	Costs associated with earthquake-damaged horizontal water infrastructure in Canterbury were revised in March 2013.
Social security and welfare	+ \$405 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$218 million	Funding provided in the 2012 Budget to maintain and improve existing service levels.
Decreases:		
Environmental protection	- \$239 million	Costs associated with the Emissions Trading Scheme (ETS) were lower than last year as fewer NZ units have been issued at lower prices. The lower issuance was related to the forestry industry, as they received a one-off allocation of units (if they opted into the scheme) in previous years. Also, lower worldwide demand for carbon credits and the global financial crisis has also seen the price per unit decrease.
Other functional classes	+ \$375 million	
Total	\$1,699 million	

Gains

Total net gains were \$6,505 million in the ten months to April 2013 due to strong returns on the Crown's investment portfolio and actuarial gains for the Government Superannuation Fund (GSF) and ACC. In contrast, weak global equity markets in the first ten months of the 2011/12 financial year, plus increases in the valuation of the Crown's long-term liabilities (primarily ACC and GSF), resulted in total net losses of \$3,262 million to 30 April 2012.

Debt

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



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the ten months ended 30 April 2013

Year to 30 Jun 2012	10 months to 30 April 2012		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
54,665	44,750	Taxation revenue	2	47,786	47,314	472	1.0	57,839
5,130	4,208	Other sovereign revenue	2	4,206	4,211	(5)	(0.1)	5,126
59,795	48,958	Total Revenue Levied through the Crown's Sovereign Power		51,992	51,525	467	0.9	62,965
16,785	13,536	Sales of goods and services		13,862	13,762	100	0.7	16,809
2,763	2,329	Interest revenue and dividends	3	2,375	2,473	(98)	(4.0)	3,051
4,140	3,302	Other revenue		3,080	2,984	96	3.2	3,638
23,688	19,167	Total revenue earned through the Crown's operations		19,317	19,219	98	0.5	23,498
83,483	68,125	Total revenue (excluding gains)		71,309	70,744	565	0.8	86,463
		Expenses						
		Social assistance and official development assistance	4	18,770	18,801	31	0.2	22,918
19,475	16,023	Personnel expenses	5	16,686	16,723	37	0.2	20,156
6,350	3,695	Depreciation and amortisation	6	3,944	3,934	(10)	(0.3)	4,858
35,678	28,697	Other operating expenses	6	29,540	29,728	188	0.6	37,628
4,290	3,411	Interest expenses	7	3,598	3,644	46	1.3	4,301
4,576	3,822	Insurance expenses	8	2,761	2,651	(110)	(4.1)	3,165
-	-	Forecast new operating spending	6	-	-	-	-	42
-	-	Top-down expense adjustment	6	-	(83)	(83)	(100.0)	(330)
92,723	74,067	Total expenses (excluding losses)		75,299	75,398	99	0.1	92,738
-	-	Forgone profits from partial share sales		-	-	-	-	(10)
(9,240)	(5,942)	Operating balance before gains/(losses)		(3,990)	(4,654)	664	14.3	(6,285)
		Net gains/(losses) on financial instruments	9	6,312	5,553	759	13.7	5,859
(6,526)	(4,029)	Net gains/(losses) on non-financial instruments	10	193	1,741	(1,548)	(88.9)	2,088
(5,834)	(3,262)	Total gains/(losses)		6,505	7,294	(789)	(10.8)	7,947
233	206	Net surplus/(deficit) from associates and joint ventures		219	235	(16)	(6.8)	256
(14,841)	(8,998)	Operating balance from continuing activities		2,734	2,875	(141)	(4.9)	1,918
-	(1)	Gain/(loss) from discontinued operations		76	77	(1)	(1.3)	-
(56)	-	Attributable to minority interests		-	-	-	-	-
(14,897)	(8,999)	Operating balance	11	2,810	2,952	(142)	(4.8)	1,918

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

STATEMENT OF COMPREHENSIVE INCOME

for the ten months ended 30 April 2013

Year to 30 Jun 2012	10 months to 30 April 2012		Current Year Actual vs Forecast				Annual Forecast
			Actual	Forecast	Variance	%	
Actual	Actual		\$m	\$m	\$m	%	\$m
(14,841)	(8,999)	Operating Balance (including minority interest)	2,810	2,953	(143)	(4.8)	1,928
		Other comprehensive income					
(6,461)	(92)	Revaluation of physical assets	(38)	(33)	(5)	(15.2)	(29)
108	62	Effective portion of changes in value of cash flow hedges	66	175	(109)	(62.3)	74
54	1	Net change in fair value of cash flow hedges transferred to operating balance	2	2	-	-	(2)
(19)	(23)	Net change in fair value of cash flow hedges transferred to the hedged item	(1)	4	(5)	(125.0)	4
(2)	95	Foreign currency translation differences for foreign operations	(20)	(12)	(8)	(66.7)	4
13	11	Valuation gains/(losses) on investments available for sale taken to reserves	18	11	7	63.6	5
1	-	Other movements	2	(2)	4	200.0	(21)
(6,306)	54	Total other comprehensive income	29	145	(116)	(80.0)	35
(21,147)	(8,945)	Total comprehensive income	2,839	3,098	(259)	(8.4)	1,963
		Attributable to:					
84	-	- minority interest	-	-	-	-	10
(21,231)	(8,945)	- the Crown	2,839	3,098	(259)	(8.4)	1,953
(21,147)	(8,945)	Total comprehensive income	2,839	3,098	(259)	(8.4)	1,963

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the ten months ended 30 April 2013

Year to 30 Jun 2012	10 months to 30 April 2012		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
25,457	21,140	Social security and welfare	21,550	21,528	(22)	(0.1)	26,439
197	176	GSF pension expenses	237	239	2	0.8	287
13,650	11,283	Health	11,569	11,597	28	0.2	13,895
12,407	10,624	Education	10,547	10,604	57	0.5	13,119
5,305	3,395	Core government services	4,293	4,348	55	1.3	5,537
3,592	2,950	Law and order	3,014	3,018	4	0.1	3,732
1,693	1,386	Defence	1,434	1,481	47	3.2	1,780
10,259	7,006	Transport and communications	7,315	7,290	(25)	(0.3)	8,805
10,018	7,794	Economic and industrial services	7,094	7,042	(52)	(0.7)	8,634
1,588	1,318	Primary services	1,045	1,044	(1)	(0.1)	1,732
2,446	1,960	Heritage, culture and recreation	2,081	2,102	21	1.0	2,514
627	667	Housing and community development	796	823	27	3.3	1,098
769	629	Environmental protection	369	364	(5)	(1.4)	496
425	328	Other	357	357	-	-	657
4,290	3,411	Finance costs	3,598	3,644	46	1.3	4,301
-	-	Forecast new operating spending	-	-	-	-	42
-	-	Top-down expense adjustment	-	(83)	(83)	(100.0)	(330)
92,723	74,067	Total Crown expenses excluding losses	75,299	75,398	99	0.1	92,738

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 2012	10 months to 30 April 2012		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,028	18,239	Social security and welfare	18,644	18,663	19	0.1	22,893
192	158	GSF pension expenses	231	231	-	-	278
14,160	11,784	Health	12,002	12,021	19	0.2	14,526
11,654	9,735	Education	9,837	9,885	48	0.5	12,355
5,428	3,335	Core government services	4,275	4,328	53	1.2	5,572
3,403	2,793	Law and order	2,840	2,838	(2)	(0.1)	3,511
1,736	1,424	Defence	1,461	1,515	54	3.6	1,822
2,232	1,791	Transport and communications	1,759	1,756	(3)	(0.2)	2,352
2,157	1,674	Economic and industrial services	1,637	1,640	3	0.2	2,052
648	507	Primary services	513	512	(1)	(0.2)	684
863	757	Heritage, culture and recreation	673	694	21	3.0	842
(130)	33	Housing and community development	165	190	25	13.2	317
769	629	Environmental protection	390	381	(9)	(2.4)	519
425	328	Other	357	357	-	-	657
3,511	2,945	Finance costs	3,047	3,006	(41)	(1.4)	3,557
-	-	Forecast new operating spending	-	-	-	-	42
-	-	Top-down expense adjustment	-	(83)	(83)	(100.0)	(330)
69,076	56,132	Core Crown expenses excluding losses	57,831	57,934	103	0.2	71,649

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

STATEMENT OF CASH FLOWS

for the ten months ended 30 April 2013

Year to 30 Jun 2012 Actual \$m	10 months to 30 April 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Cash Flows From Operations							
Cash was provided from							
53,582	41,490	Taxation receipts	44,067	43,880	187	0.4	56,738
4,890	4,123	Other sovereign receipts	4,064	4,067	(3)	(0.1)	4,758
16,812	13,817	Sales of goods and services	14,153	13,850	303	2.2	16,926
2,603	2,198	Interest and dividends	2,141	2,250	(109)	(4.8)	2,821
4,395	3,697	Other operating receipts	4,836	5,086	(250)	(4.9)	5,773
82,282	65,325	Total cash provided from operations	69,261	69,133	128	0.2	87,016
Cash was disbursed to							
Social assistance and official development assistance							
22,840	19,090		19,061	19,095	34	0.2	22,937
59,107	49,900	Personnel and operating payments	49,793	50,092	299	0.6	60,608
3,954	3,281	Interest payments	3,455	3,427	(28)	(0.8)	4,366
-	-	Forecast new operating spending	-	-	-	-	42
-	-	Top-down expense adjustment	-	(83)	(83)	(100.0)	(330)
85,901	72,271	Total cash disbursed to operations	72,309	72,531	222	0.3	87,623
(3,619)	(6,946)	Net cash flows from operations	(3,048)	(3,398)	350	10.3	(607)
Cash Flows From Investing Activities							
Cash was provided from/(disbursed to)							
(5,766)	(4,659)	Net purchase of physical assets	(4,275)	(4,398)	123	2.8	(5,923)
424	4,686	Net purchase of shares and other securities	8,240	12,224	(3,984)	(32.6)	8,981
(567)	(483)	Net purchase of intangible assets	(395)	(404)	9	2.2	(544)
(1,284)	(837)	Net (issue)/repayment of advances	(1,188)	(1,182)	(6)	(0.5)	(1,205)
(115)	245	Net acquisition of investments in associates	232	225	7	3.1	1,724
-	-	Forecast new capital spending	-	-	-	-	(2)
-	-	Top-down capital adjustment	-	70	(70)	(100.0)	280
(7,308)	(1,048)	Net cash flows from investing activities	2,614	6,535	(3,921)	(60.0)	3,311
(10,927)	(7,994)	Net cash flows from operating and investing activities	(434)	3,137	(3,571)	(113.8)	2,704
Cash Flows From Financing Activities							
Cash was provided from/(disbursed to)							
203	250	Issues of circulating currency	260	282	(22)	(7.8)	264
7,554	4,576	Net issue/(repayment) of Government bonds	4,523	4,720	(197)	(4.2)	5,572
(6,422)	(7,411)	Net issue/(repayment) of foreign currency borrowing	(1,661)	(1,966)	305	15.5	(2,327)
10,353	12,302	Net issue/(repayment) of other New Zealand dollar borrowing	201	123	78	63.4	(263)
(7)	-	Dividends paid to minority interests	-	-	-	-	-
11,681	9,717	Net cash flows from financing activities	3,323	3,159	164	5.2	3,246
754	1,723	Net movement in cash	2,889	6,296	(3,407)	(54.1)	5,950
9,801	9,801	Opening Cash Balance	10,686	10,686	-	-	10,686
Foreign-exchange gains/(losses) on opening cash							
131	73		(266)	(152)	(114)	(75.0)	(144)
10,686	11,597	Closing Cash Balance	13,309	16,830	(3,521)	(20.9)	16,492

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the ten months ended 30 April 2013

Year to 30 Jun 2012 Actual \$m	10 months to 30 April 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
(3,619)	(6,946)	Net Cash Flows from Operations	(3,048)	(3,398)	350	10.3	(607)
<i>Items included in the operating balance but not in net cash flows from operations</i>							
Gains/(losses)							
692	767	Gains/(losses) on financial instruments	6,312	5,553	759	13.7	5,859
(6,526)	(4,029)	Gains/(losses) on non-financial instruments	193	1,741	(1,548)	(88.9)	2,088
(5,834)	(3,262)	Total gains/(losses)	6,505	7,294	(789)	(10.8)	7,947
Other Non-cash Items in Operating Balance							
(6,350)	(3,695)	Depreciation and amortisation	(3,944)	(3,934)	(10)	(0.3)	(4,858)
(850)	(761)	Write-down on initial recognition of financial assets	(612)	(598)	(14)	(2.3)	(751)
248	66	Impairment of financial assets (excluding receivables)	11	11	-	-	15
512	385	Non-cash movement in defined benefit retirement plan liabilities	308	308	-	-	395
1,070	760	Non-cash movement in insurance liabilities	240	495	(255)	(51.5)	1,222
232	204	Other	213	235	(22)	(9.4)	258
(5,138)	(3,041)	Total other non-cash Items	(3,784)	(3,483)	(301)	(8.6)	(3,719)
Movements in Working Capital							
(242)	2,300	Increase/(decrease) in receivables	1,710	1,764	(54)	(3.1)	(1,381)
(175)	2	Increase/(decrease) in accrued interest	92	6	86	-	295
(74)	5	Increase/(decrease) in inventories	(45)	17	(62)	(364.7)	14
32	266	Increase/(decrease) in prepayments	258	223	35	15.7	64
(38)	24	Decrease/(increase) in deferred revenue	94	95	(1)	(1.1)	132
191	1,653	Decrease/(increase) in payables/provisions	1,028	434	594	136.9	(827)
(306)	4,250	Total movements in working capital	3,137	2,539	598	23.6	(1,703)
(14,897)	(8,999)	Operating Balance	2,810	2,952	(142)	(4.8)	1,918

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

STATEMENT OF CHANGES IN NET WORTH

for the ten months ended 30 April 2013

Year to 30 Jun 2012 Actual \$m	10 months to 30 April 2012 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
80,887	80,887	Opening net worth	59,780	59,780	-	-	59,780
(14,897)	(8,999)	Operating balance (excluding minority interest)	2,810	2,953	(143)	(4.8)	1,918
(6,461)	(92)	Net revaluations	(38)	(33)	(5)	(15.2)	(29)
80	73	Transfers to/(from) reserves (Gains)/losses transferred to the	83	186	(103)	(55.4)	55
83	1	statement of financial performance	3	3	-	-	(4)
(36)	72	Other movements	(19)	(11)	(8)	(72.7)	13
(21,231)	(8,945)	Comprehensive income attributable to the Crown	2,839	3,098	(259)	(8.4)	1,953
-	-	Gain on Government share offers	-	-	-	-	175
-	-	Increase in minority interest from Government share offers	-	-	-	-	1,325
124	-	Transactions with minority interest	-	-	-	-	37
59,780	71,942	Closing net worth	62,619	62,878	(259)	(0.4)	63,270
		Attributable to:					
432	308	- minority interest	432	432	-	-	1,794
59,348	71,634	- the Crown	62,187	62,446	(259)	(0.4)	61,476
59,780	71,942	Closing net worth	62,619	62,878	(259)	(0.4)	63,270

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

STATEMENT OF FINANCIAL POSITION

as at 30 April 2013

As at 30 Jun 2012 Actual \$m	As at 30 April 2012 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
10,686	11,597	Cash and cash equivalents	12	13,309	16,830	(3,521)	(20.9)	16,492
20,956	24,139	Receivables	12	22,459	22,336	123	0.6	19,189
		Marketable securities, deposits and						
48,385	44,684	derivatives in gain	12	42,411	37,451	4,960	13.2	40,392
14,385	14,402	Share investments	12	16,725	16,441	284	1.7	16,616
21,766	21,545	Advances	12	23,587	23,594	(7)	-	23,432
1,234	1,314	Inventory		1,189	1,251	(62)	(5.0)	1,248
2,134	2,350	Other assets		2,501	2,387	114	4.8	2,064
108,584	116,472	Property, plant & equipment	13	108,080	108,486	(406)	(0.4)	109,334
9,483	9,596	Equity accounted investments ¹		9,587	9,612	(25)	(0.3)	9,509
2,705	2,406	Intangible assets and goodwill		2,619	2,592	27	1.0	2,687
-	-	Forecast for new capital spending		-	-	-	-	2
-	-	Top-down capital adjustment		-	(70)	70	100.0	(280)
240,318	248,505	Total assets		242,467	240,910	1,557	0.6	240,685
Liabilities								
4,457	4,504	Issued currency		4,717	4,774	57	1.2	4,756
11,604	12,237	Payables	15	10,123	11,021	898	8.1	11,822
1,712	1,650	Deferred revenue		1,618	1,617	(1)	(0.1)	1,579
100,534	99,061	Borrowings		102,133	101,265	(868)	(0.9)	100,780
41,186	40,830	Insurance liabilities	16	41,777	40,005	(1,772)	(4.4)	38,917
13,539	11,982	Retirement plan liabilities		12,314	12,314	-	-	12,227
7,506	6,299	Provisions	17	7,166	7,036	(130)	(1.8)	7,334
180,538	176,563	Total liabilities		179,848	178,032	(1,816)	(1.0)	177,415
59,780	71,942	Total assets less total liabilities		62,619	62,878	(259)	(0.4)	63,270
Net Worth								
3,520	9,541	Taxpayer funds	18	6,540	6,479	61	0.9	5,601
56,001	62,246	Revaluation reserve	18	55,756	55,961	(205)	(0.4)	55,965
(173)	(153)	Other reserves	18	(109)	6	(115)	-	(90)
59,348	71,634	Total net worth attributable to the Crown		62,187	62,446	(259)	(0.4)	61,476
432	308	Net worth attributable to minority interest		432	432	-	-	1,794
59,780	71,942	Total net worth		62,619	62,878	(259)	(0.4)	63,270

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 30 April 2013

As at 30 Jun 2012 Actual \$m	As at 30 April 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
53,849	51,054	Government bonds ¹	59,404	58,647	(757)	(1.3)	58,713
8,954	8,959	Treasury bills	4,927	4,917	(10)	(0.2)	3,576
229	237	Government retail stock	200	204	4	2.0	204
5,917	6,584	Settlement deposits with Reserve Bank	7,128	7,183	55	0.8	7,183
2,807	2,829	Derivatives in loss	2,541	2,132	(409)	(19.2)	2,035
1,515	1,092	Finance lease liabilities	1,336	1,344	8	0.6	1,499
27,263	28,306	Other borrowings	26,597	26,838	241	0.9	27,570
100,534	99,061	Total borrowings	102,133	101,265	(868)	(0.9)	100,780
75,701	73,880	Sovereign-guaranteed debt	77,212	75,953	(1,259)	(1.7)	74,924
24,833	25,181	Non sovereign-guaranteed debt	24,921	25,312	391	1.5	25,856
100,534	99,061	Total borrowings	102,133	101,265	(868)	(0.9)	100,780
		Net Debt:					
84,680	83,609	Core Crown borrowings ²	85,901	85,488	(413)	(0.5)	85,310
(512)	(449)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(542)	(901)	(359)	(39.8)	(883)
84,168	83,160	Gross sovereign-issued debt³	85,359	84,587	(772)	(0.9)	84,427
64,017	61,760	Less core Crown financial assets ⁴	60,118	58,661	1,457	2.5	61,257
20,151	21,400	Net core Crown debt	25,241	25,926	685	2.6	23,170
13,324	12,856	Core crown advances	13,610	13,588	(22)	(0.2)	13,445
33,475	34,256	Net core Crown debt (incl NZS Fund)⁵	38,851	39,514	663	1.7	36,615
17,196	17,775	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	21,204	20,982	(222)	(1.1)	21,330
50,671	52,031	Net core Crown debt (excl NZS Fund and advances)⁷	60,055	60,496	441	0.7	57,945
		Gross Debt:					
84,168	83,160	Gross sovereign-issued debt ³	85,359	84,587	(772)	(0.9)	84,427
(6,133)	(6,706)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,277)	(7,364)	(87)	(1.2)	(7,391)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
79,635	78,054	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	79,682	78,823	(859)	(1.1)	78,636

Notes on gross and net debt:

- Government bonds 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 30 April 2013

	As at 30 April 2013 \$m	As at 30 Jun 2012 \$m	As at 30 April 2012 \$m
Capital Commitments			
Specialist military equipment	88	239	322
Land and buildings	832	697	616
Other property, plant and equipment	6,360	6,001	6,922
Other capital commitments	656	572	408
Tertiary Education Institutions	255	255	413
Total capital commitments	8,191	7,764	8,681
Operating Commitments			
Non-cancellable accommodation leases	2,540	2,719	2,786
Other non-cancellable leases	3,420	3,549	2,966
Tertiary Education Institutions	282	282	366
Total operating commitments	6,242	6,550	6,118
Total commitments	14,433	14,314	14,799
Total Commitments by Segment			
Core Crown	5,365	15,685	7,444
Crown entities	6,306	7,753	7,575
State-owned Enterprises	5,503	5,300	6,864
Inter-segment eliminations	(2,741)	(14,424)	(7,084)
Total commitments	14,433	14,314	14,799

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 April 2013

	As at 30 April 2013 \$m	As at 30 Jun 2012 \$m	As at 30 April 2012 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	164	430	461
Uncalled capital	5,764	6,327	6,171
Legal proceedings and disputes	406	411	356
Other contingent liabilities	378	584	976
Total quantifiable contingent liabilities	6,712	7,752	7,964
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	6,463	7,622	7,741
Crown entities	79	40	89
State-owned Enterprises	170	90	134
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	6,712	7,752	7,964
Quantifiable Contingent Assets			
Core Crown	336	224	684
Crown entities	3	162	20
State owned enterprises	21	24	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	360	410	704

A list of unquantified contingent liabilities is included on the Treasury's website <http://www.treasury.govt.nz/budget/forecasts/befu2013/035.htm>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

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 85 and 86 of the *BEFU* released on 16 May 2013.

With the exception of the 30 June 2012 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities, including *NZ IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity.

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. These interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the information included in the Financial Statements of the Government of New Zealand for the year ended 30 June 2012.

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>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2013.

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/befu2013>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

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.

Variance Percentages

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2012 Actual \$m	10 months to 30 April 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue (Accrual)							
Taxation Revenue (accrual)							
Individuals							
21,237	17,559	Source deductions	18,443	18,583	(140)	(0.8)	22,387
4,232	3,531	Other persons	4,228	4,180	48	1.1	5,026
(1,736)	(1,209)	Refunds	(1,061)	(1,019)	(42)	(4.1)	(1,473)
462	396	Fringe benefit tax	394	400	(6)	(1.5)	460
24,195	20,277	Total individuals	22,004	22,144	(140)	(0.6)	26,400
Corporate Tax							
8,310	6,472	Gross companies tax	6,892	6,393	499	7.8	8,372
(202)	(180)	Refunds	(131)	(163)	32	19.6	(197)
500	362	Non-resident withholding tax	326	335	(9)	(2.7)	448
4	4	Foreign-source dividend w/holding payments	2	-	2	-	-
8,612	6,658	Total corporate tax	7,089	6,565	524	8.0	8,623
Other Income Tax							
1,679	1,365	Resident w/holding tax on interest income	1,344	1,321	23	1.7	1,602
292	223	Resident w/holding tax on dividend income	404	347	57	16.4	394
1,971	1,588	Total other income tax	1,748	1,668	80	4.8	1,996
34,778	28,523	Total income tax	30,841	30,377	464	1.5	37,019
Goods and Services Tax							
25,199	20,584	Gross goods and services tax	20,613	20,620	(7)	-	25,490
(10,627)	(8,744)	Refunds	(8,206)	(8,209)	3	-	(10,085)
14,572	11,840	Total goods and services tax	12,407	12,411	(4)	-	15,405
Other Taxation							
1,045	872	Road user charges	891	889	2	0.2	1,062
847	690	Petroleum fuels excise - domestic production	708	724	(16)	(2.2)	878
656	536	Alcohol excise - domestic production	553	556	(3)	(0.5)	656
244	235	Tobacco excise - domestic production	273	276	(3)	(1.1)	288
631	526	Petroleum fuels excise - imports ¹	540	520	20	3.8	611
241	201	Alcohol excise - imports ¹	214	215	(1)	(0.5)	258
993	780	Tobacco excise - imports ¹	809	787	22	2.8	986
173	149	Other customs duty	157	158	(1)	(0.6)	182
216	182	Gaming duties	181	189	(8)	(4.2)	225
175	145	Motor vehicle fees	148	147	1	0.7	178
58	43	Approved issuer levy and cheque duty	38	39	(1)	(2.6)	55
36	28	Energy resources levies	26	26	-	-	36
5,315	4,387	Total other indirect taxation	4,538	4,526	12	0.3	5,415
19,887	16,227	Total indirect taxation	16,945	16,937	8	-	20,820
54,665	44,750	Total taxation revenue	47,786	47,314	472	1.0	57,839
Other Sovereign Revenue (accrual)							
3,695	3,103	ACC levies	2,833	2,840	(7)	(0.2)	3,409
326	267	Fire Service levies	268	271	(3)	(1.1)	333
107	82	EQC levies	196	196	-	-	240
1,002	756	Other miscellaneous items	909	904	5	0.6	1,144
5,130	4,208	Total other sovereign revenue	4,206	4,211	(5)	(0.1)	5,126
59,795	48,958	Total sovereign revenue	51,992	51,525	467	0.9	62,965

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2012 Actual \$m	10 months to 30 April 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2 (continued): Sovereign Receipts (Cash)							
Income Tax Receipts (cash)							
Individuals							
21,010	17,362	Source deductions	18,332	18,379	(47)	(0.3)	22,240
4,720	3,502	Other persons	3,839	3,858	(19)	(0.5)	5,278
(2,468)	(1,977)	Refunds	(1,731)	(1,752)	21	1.2	(2,252)
458	341	Fringe benefit tax	342	343	(1)	(0.3)	458
23,720	19,228	Total individuals	20,782	20,828	(46)	(0.2)	25,724
Corporate Tax							
8,792	6,537	Gross companies tax	6,649	6,768	(119)	(1.8)	8,754
(814)	(547)	Refunds	(496)	(544)	48	8.8	(667)
434	351	Non-resident withholding tax	368	359	9	2.5	448
4	5	Foreign-source dividend w/holding payments	2	-	2	-	-
8,416	6,346	Total corporate tax	6,523	6,583	(60)	(0.9)	8,535
Other Income Tax							
1,699	1,425	Resident w/holding tax on interest income	1,374	1,356	18	1.3	1,601
290	257	Resident w/holding tax on dividend income	455	363	92	25.3	394
1,989	1,682	Total other income tax	1,829	1,719	110	6.4	1,995
34,125	27,256	Total income tax	29,134	29,130	4	-	36,254
Goods and Services Tax							
24,574	18,417	Gross goods and services tax	18,482	18,222	260	1.4	24,855
(10,435)	(8,568)	Refunds	(8,127)	(8,075)	(52)	(0.6)	(9,785)
14,139	9,849	Total goods and services tax	10,355	10,147	208	2.0	15,070
Other Taxation							
1,048	874	Road user charges	886	889	(3)	(0.3)	1,062
845	709	Petroleum fuels excise - domestic production	724	731	(7)	(1.0)	878
654	552	Alcohol excise - domestic production	564	563	1	0.2	656
238	224	Tobacco excise - domestic production	275	279	(4)	(1.4)	288
2,057	1,660	Customs duty	1,760	1,740	20	1.1	2,037
216	183	Gaming duties	181	188	(7)	(3.7)	224
169	115	Motor vehicle fees	124	147	(23)	(15.6)	178
55	40	Approved issuer levy and cheque duty	38	40	(2)	(5.0)	55
36	28	Energy resources levies	26	26	-	-	36
5,318	4,385	Total other indirect taxation	4,578	4,603	(25)	(0.5)	5,414
19,457	14,234	Total indirect taxation	14,933	14,750	183	1.2	20,484
53,582	41,490	Total tax receipts collected	44,067	43,880	187	0.4	56,738
Other Sovereign Receipts (cash)							
3,693	3,143	ACC levies	2,979	2,966	13	0.4	3,427
326	267	Fire Service levies	268	271	(3)	(1.1)	333
134	85	EQC levies	228	226	2	0.9	276
737	628	Other miscellaneous items	589	604	(15)	(2.5)	722
4,890	4,123	Total other sovereign receipts	4,064	4,067	(3)	(0.1)	4,758
58,472	45,613	Total sovereign receipts	48,131	47,947	184	0.4	61,496

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2012	10 months to 30 April 2012		Current Year Actual vs Forecast				
Actual \$m	Actual \$m		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 3: Interest Revenue and Dividends							
By type							
2,293	1,952	Interest revenue	1,948	2,044	(96)	(4.7)	2,517
470	377	Dividends	427	429	(2)	(0.5)	534
2,763	2,329	Total interest revenue and dividends	2,375	2,473	(98)	(4.0)	3,051
By source							
1,795	1,559	Core Crown	1,774	1,865	(91)	(4.9)	2,196
1,181	957	Crown entities	1,007	1,001	6	0.6	1,204
858	708	State-owned Enterprises	696	695	1	0.1	822
(1,071)	(895)	Inter-segment eliminations	(1,102)	(1,088)	(14)	(1.3)	(1,171)
2,763	2,329	Total interest revenue and dividends	2,375	2,473	(98)	(4.0)	3,051
NOTE 4: Transfer Payments and Subsidies							
9,584	7,923	New Zealand superannuation	8,460	8,459	(1)	-	10,235
1,811	1,511	Domestic purposes benefit	1,457	1,456	(1)	(0.1)	1,738
1,325	1,103	Invalids benefit	1,106	1,106	-	-	1,329
775	645	Sickness benefit	652	653	1	0.2	782
883	754	Unemployment benefit	691	690	(1)	(0.1)	806
2,082	1,684	Family tax credit	1,621	1,660	39	2.3	2,047
599	464	Other working for families tax credits	455	453	(2)	(0.4)	572
1,195	999	Accommodation assistance	984	984	-	-	1,178
580	483	Income related rents	517	514	(3)	(0.6)	637
401	336	Disability assistance	320	321	1	0.3	385
644	507	Student allowances	476	472	(4)	(0.8)	592
1,277	1,066	Other social assistance benefits	1,135	1,137	2	0.2	1,377
21,156	17,475	Total social assistance grants	17,874	17,905	31	0.2	21,678
Subsidies							
688	569	KiwiSaver	595	594	(1)	(0.2)	738
Other transfer payments							
510	375	Official development assistance	301	302	1	0.3	502
22,354	18,419	Total transfer payments and subsidies	18,770	18,801	31	0.2	22,918
NOTE 5: Personnel Expenses							
5,915	4,818	Core Crown	4,980	4,997	17	0.3	6,071
10,754	8,900	Crown entities	9,259	9,270	11	0.1	11,148
2,819	2,314	State-owned Enterprises	2,456	2,464	8	0.3	2,947
(13)	(9)	Inter-segment eliminations	(9)	(8)	1	12.5	(10)
19,475	16,023	Total personnel expenses	16,686	16,723	37	0.2	20,156
NOTE 6: Operating Expenses							
By type							
6,350	3,695	Depreciation and amortisation	3,944	3,934	(10)	(0.3)	4,858
35,678	28,697	Other operating expenses	29,540	29,728	188	0.6	37,628
-	-	Forecast new operating spending	-	-	-	-	42
-	-	Top-down expense adjustment	-	(83)	(83)	(100.0)	(330)
42,028	32,392	Total operating expenses	33,484	33,579	95	0.3	42,198
By source							
37,278	29,935	Core Crown	31,031	31,130	99	0.3	39,096
17,897	14,919	Crown entities	15,167	15,285	118	0.8	18,628
13,174	9,151	State-owned Enterprises	9,528	9,447	(81)	(0.9)	11,668
(26,321)	(21,613)	Inter-segment eliminations	(22,242)	(22,283)	(41)	(0.2)	(27,194)
42,028	32,392	Total operating expenses	33,484	33,579	95	0.3	42,198

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2012	10 months to 30 April 2012	Actual \$m	Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 7: Interest Expenses						
		By type						
		4,223	3,374	3,561	3,606	45	1.2	4,255
		67	37	37	38	1	2.6	46
		4,290	3,411	3,598	3,644	46	1.3	4,301
		Total interest expenses						
		By source						
		3,511	2,945	3,047	3,006	(41)	(1.4)	3,557
		246	205	197	198	1	0.5	236
		1,268	911	942	993	51	5.1	1,152
		(735)	(650)	(588)	(553)	35	6.3	(644)
		4,290	3,411	3,598	3,644	46	1.3	4,301
		Total interest expenses						
		NOTE 8: Insurance Expenses						
		By entity						
		3,010	2,565	2,655	2,586	(69)	(2.7)	3,136
		1,073	989	100	107	7	6.5	98
		586	254	8	(36)	(44)	(122.2)	(58)
		20	14	19	8	(11)	(137.5)	13
		(113)	-	(21)	(14)	7	50.0	(24)
		4,576	3,822	2,761	2,651	(110)	(4.1)	3,165
		Total insurance expenses						
		NOTE 9: Gains and Losses on Financial Instruments						
		By source						
		526	935	4,422	3,685	737	20.0	3,944
		930	808	1,873	1,482	391	26.4	1,529
		9	(386)	(29)	55	(84)	(152.7)	61
		(773)	(590)	46	331	(285)	(86.1)	325
		692	767	6,312	5,553	759	13.7	5,859
		Net gains/(losses) on financial instruments						
		NOTE 10: Gains and Losses on Non-Financial Instruments						
		By type						
		(3,896)	(2,212)	918	918	-	-	918
		(2,942)	(2,276)	(830)	686	(1,516)	(221.0)	1,047
		312	459	105	137	(32)	(23.4)	123
		(6,526)	(4,029)	193	1,741	(1,548)	(88.9)	2,088
		Net gains/(losses) on non-financial instruments						
		By source						
		(3,790)	(2,131)	1,108	1,124	(16)	(1.4)	1,121
		(2,956)	(2,288)	(900)	619	(1,519)	(245.4)	967
		220	390	(15)	(2)	(13)	-	(1)
		-	-	-	-	-	-	1
		(6,526)	(4,029)	193	1,741	(1,548)	(88.9)	2,088
		Net gains/(losses) on non-financial instruments						

1. The most recent GSF valuation was as at 28 February 2013.

2. The most recent ACC valuation was as at 31 December 2012, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 30 April 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 11: Operating Balance					
		<i>By source</i>					
(11,671)	(7,966)	Core Crown	404	(830)	1,234	148.7	(2,700)
(641)	(200)	Crown entities	2,653	3,732	(1,079)	(28.9)	4,307
(1,423)	383	State-owned Enterprises	470	508	(38)	(7.5)	456
(1,162)	(1,216)	Inter-segment eliminations	(717)	(458)	(259)	(56.6)	(145)
(14,897)	(8,999)	Total operating balance	2,810	2,952	(142)	(4.8)	1,918
		NOTE 12: Financial Assets and Sovereign Receivables					
10,686	11,597	Cash and cash equivalents	13,309	16,830	(3,521)	(20.9)	16,492
7,257	9,656	Tax receivables	9,945	9,806	139	1.4	7,323
13,699	14,483	Trade and other receivables	12,514	12,530	(16)	(0.1)	11,866
8,291	7,995	Student loans	8,743	8,727	16	0.2	8,528
12,445	12,319	Kiwibank mortgages	13,051	13,089	(38)	(0.3)	13,261
2,422	2,302	Long-term deposits	2,051	1,776	275	15.5	2,013
2,249	2,213	IMF financial assets	2,129	2,185	(56)	(2.6)	2,191
1,030	1,231	Other advances ¹	1,793	1,778	15	0.8	1,643
14,385	14,402	Share investments	16,725	16,441	284	1.7	16,616
5,032	4,609	Derivatives in gain	5,196	5,140	56	1.1	4,797
38,682	35,560	Other marketable securities	33,035	28,350	4,685	16.5	31,391
116,178	116,367	Total financial assets and sovereign receivables	118,491	116,652	1,839	1.6	116,121
		Financial assets by entity					
26,062	22,924	NZDMO	15,235	14,948	287	1.9	17,307
17,573	18,250	Reserve Bank of New Zealand	19,292	18,291	1,001	5.5	18,332
18,703	19,033	NZ Superannuation Fund	22,591	22,266	325	1.5	22,624
20,567	22,875	Other core Crown	25,159	24,626	533	2.2	20,547
(7,924)	(8,552)	Intra-segment eliminations	(8,978)	(8,553)	(425)	(5.0)	(7,194)
74,981	74,530	Total core Crown segment	73,299	71,578	1,721	2.4	71,616
25,340	26,454	ACC portfolio	29,226	29,687	(461)	(2)	29,686
7,252	7,404	EQC portfolio	6,049	5,974	75	1	5,687
11,168	8,953	Other Crown entities	10,851	10,504	347	3	10,368
(3,685)	(3,508)	Intra-segment eliminations	(3,686)	(3,683)	(3)	(0.1)	(3,635)
40,075	39,303	Total Crown entities segment	42,440	42,482	(42)	(0.1)	42,106
19,186	21,137	Total State-owned enterprises segment	20,086	20,227	(141)	(0.7)	20,685
(18,064)	(18,603)	Inter-segment eliminations	(17,334)	(17,635)	301	1.7	(18,286)
116,178	116,367	Total financial assets	118,491	116,652	1,839	1.6	116,121

1. Other advances includes finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 30 April 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Property, Plant and Equipment							
Net Carrying Value							
<i>By class of asset:</i>							
33,626	35,032	Land (valuation) ¹	33,429	33,482	(53)	(0.2)	34,021
25,046	24,435	Buildings (valuation)	24,800	24,796	4	-	25,015
17,546	18,239	State highways (valuation) - excluding land	18,063	18,134	(71)	(0.4)	17,989
14,400	14,745	Electricity generation assets (valuation)	13,772	13,807	(35)	(0.3)	13,911
3,476	3,140	Electricity distribution network (cost)	3,790	3,924	(134)	(3.4)	3,989
3,220	3,235	Specialist military equipment (valuation)	3,100	3,109	(9)	(0.3)	3,196
2,514	2,462	Specified cultural and heritage assets (valuation)	2,496	2,502	(6)	(0.2)	2,481
2,250	2,183	Aircraft (excl military) (valuation)	2,322	2,273	49	2.2	2,240
856	7,257	Rail network (valuation) - excluding land	1,061	1,091	(30)	(2.7)	866
5,650	5,744	Other plant and equipment (cost)	5,247	5,368	(121)	(2.3)	5,626
108,584	116,472	Total net carrying value	108,080	108,486	(406)	(0.4)	109,334
<i>By source:</i>							
29,377	29,251	Core Crown	28,966	29,024	(58)	(0.2)	29,561
49,939	49,119	Crown entities	50,406	50,487	(81)	(0.2)	50,715
29,268	38,102	State-owned enterprises	28,708	28,975	(267)	(0.9)	29,058
-	-	Inter-segment eliminations	-	-	-	-	-
108,584	116,472	Total net carrying value	108,080	108,486	(406)	(0.4)	109,334
<i>Land breakdown by usage</i> ¹							
8,744	8,405	Housing stock	8,668	8,670	(2)	-	8,787
8,353	7,413	State highway corridor land	8,353	8,353	-	-	8,503
5,454	5,690	Conservation estate	5,425	5,425	-	-	5,444
3,260	5,641	Rail network corridor land	3,256	3,256	-	-	3,386
2,726	2,707	Schools	2,703	2,727	(24)	(0.9)	2,726
1,471	1,541	Commercial (SOE) excluding rail	1,466	1,497	(31)	(2.1)	1,497
3,618	3,635	Other	3,558	3,554	4	0.1	3,678
33,626	35,032	Total land	33,429	33,482	(53)	(0.2)	34,021
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							
126,601	126,601	Opening balance	121,717	121,717	-	-	121,717
6,514	5,416	Additions	4,241	4,492	(251)	(5.6)	6,307
(941)	(441)	Disposals	(826)	(675)	(151)	(22.4)	(692)
(9,793)	(40)	Net revaluations	(51)	7	(58)	-	7
(664)	105	Other ²	(1,110)	(979)	(131)	(13.4)	(750)
121,717	131,641	Total cost or valuation	123,971	124,562	(591)	(0.5)	126,589
Accumulated depreciation and impairment							
11,747	11,747	Opening balance	13,133	13,133	-	-	13,133
(634)	(347)	Eliminated on disposal	(246)	(163)	(83)	(50.9)	(87)
(3,415)	(41)	Eliminated on revaluation	(49)	-	(49)	-	(1)
5,687	3,191	Depreciation expense and impairment losses	3,442	3,437	5	0.1	4,263
(252)	619	Other ²	(389)	(331)	(58)	(17.5)	(53)
13,133	15,169	Total accumulated depreciation and impairment	15,891	16,076	(185)	(1.2)	17,255
108,584	116,472	Total property, plant and equipment	108,080	108,486	(406)	(0.4)	109,334
2. Other mainly includes transfers to/from other asset categories including transfers to finance lease receivables.							

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 30 April 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13 (continued): Property, Plant and Equipment							
Additions - by functional classification							
2,291	1,871	Transport and communications	1,497	1,608	(111)	(6.9)	1,887
2,036	1,420	Economic and industrial services	1,160	1,275	(115)	(9.0)	1,569
442	771	Education	354	325	29	8.9	805
627	455	Health	444	445	(1)	(0.2)	645
339	269	Defence	142	161	(19)	(11.8)	337
779	630	Other	644	678	(34)	(5.0)	1,064
6,514	5,416	Total additions	4,241	4,492	(251)	(5.6)	6,307
NOTE 14: NZ Superannuation Fund							
539	420	Revenue	448	515	(67)	(13.0)	647
160	223	Less current tax expense	969	813	(156)	(19.2)	890
132	90	Less other expenses ¹	99	116	17	14.7	146
(204)	306	Add gains/(losses)	3,946	3,209	737	23.0	3,431
43	413	Operating balance	3,326	2,795	531	19.0	3,042
18,652	18,652	Opening net worth	18,703	18,703	-	-	18,703
43	413	Operating balance	3,326	2,795	531	19.0	3,042
8	1	Other movements in reserves	4	4	-	-	7
18,703	19,066	Closing net worth	22,033	21,502	531	2.5	21,752
<i>comprising:</i>							
18,815	19,033	Financial assets	22,591	22,266	325	1.5	22,624
(1,317)	(1,108)	Financial liabilities	(1,737)	(1,895)	158	8.3	(1,966)
1,205	1,141	Net other assets	1,179	1,131	48	4.2	1,094
18,703	19,066	Closing net worth	22,033	21,502	531	2.5	21,752
Core Crown revenue (excl NZS Fund)							
60,565	49,320	Core Crown revenue	52,667	52,243	424	0.8	63,809
539	420	Less NZS Fund revenue	448	515	(67)	(13.0)	647
160	223	Add back NZS Fund intra-segment revenue	969	813	156	19.2	890
60,186	49,123	Core Crown revenue (excl NZS Fund)	53,188	52,541	647	1.2	64,052
OBEGAL excluding NZS Fund							
(9,240)	(5,942)	Total Crown OBEGAL	(3,990)	(4,653)	663	14.2	(6,285)
539	420	Less NZS Fund revenue	448	515	(67)	(13.0)	647
77	55	Add back NZS Fund external expenses	72	84	(12)	(14.3)	109
160	223	Add back NZS Fund tax	969	813	156	19.2	890
(9,542)	(6,084)	OBEGAL excluding NZS Fund	(3,397)	(4,271)	874	20.5	(5,933)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2012 \$m	As at 30 April 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Payables							
8,255	9,017	Accounts payable	7,020	7,751	731	9.4	8,456
3,349	3,220	Taxes repayable	3,103	3,270	167	5.1	3,366
11,604	12,237	Total payables	10,123	11,021	898	8.1	11,822
NOTE 16: Insurance liabilities							
30,648	30,261	ACC liability	32,877	31,324	(1,553)	(5.0)	30,767
8,877	9,039	EQC property damage liability	7,465	7,448	(17)	(0.2)	7,114
2,062	1,808	Southern Response (formerly AMI Insurance)	1,827	1,612	(215)	(13.3)	1,439
48	58	Other insurance liabilities	45	46	1	2.2	53
(449)	(336)	Inter-segment eliminations	(437)	(425)	12	2.8	(456)
41,186	40,830	Total insurance liabilities	41,777	40,005	(1,772)	(4.4)	38,917
NOTE 17: Provisions							
375	600	Provision for ETS Credits ¹	1	1	-	-	1
1,076	938	Provision for National Provident Fund guarantee	1,033	1,033	-	-	1,033
3,253	2,887	Provision for employee entitlements Provision for Canterbury Red Zone support	3,112	3,094	(18)	(0.6)	3,286
745	473	package	448	402	(46)	(11.4)	462
530	-	Provision for Infrastructure costs Provision for weathertight services	1,358	1,359	1	0.1	1,350
189	358	financial assistance package	67	71	4	5.6	71
1,338	1,043	Other provisions	1,147	1,076	(71)	(6.6)	1,131
7,506	6,299	Total provisions	7,166	7,036	(130)	(1.8)	7,334
1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 18: Changes in Net Worth							
18,188	18,188	Opening taxpayers funds	3,520	3,520	-	-	3,520
(14,897)	(8,999)	Operating balance excluding minority interest	2,810	2,953	(143)	(4.8)	1,918
-	-	Partial share sales in state-owned enterprises	-	-	-	-	175
229	352	Transfers from/(to) other reserves	210	6	204	-	(12)
3,520	9,541	Closing taxpayers funds	6,540	6,479	61	0.9	5,601
62,690	62,690	Opening revaluation reserve	56,001	56,001	-	-	56,001
(6,461)	(92)	Net revaluations	(38)	(33)	(5)	(15.2)	(29)
(228)	(352)	Transfers from/(to) other reserves	(207)	(7)	(200)	-	(7)
56,001	62,246	Closing revaluation reserve	55,756	55,961	(205)	(0.4)	55,965
(299)	(299)	Opening other reserves	(173)	(173)	-	-	(173)
126	146	Net movements	64	179	(115)	(64.2)	83
(173)	(153)	Closing other reserves	(109)	6	(115)	-	(90)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2012 \$m	10 months to 30 April 2012 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 19: Core Crown residual cash						
Core Crown Cash Flows from Operations						
54,249	42,289	45,152	44,894	258	0.6	57,699
670	562	537	551	(14)	(2.5)	662
1,431	1,286	1,362	1,411	(49)	(3.5)	1,583
2,699	2,272	2,158	2,104	54	2.6	2,322
(22,854)	(19,101)	(19,061)	(19,095)	34	0.2	(22,937)
(40,036)	(33,769)	(34,353)	(34,640)	287	0.8	(41,754)
(3,369)	(2,714)	(3,016)	(3,065)	49	1.6	(3,789)
-	-	-	-	-	-	(42)
-	-	-	83	(83)	(100.0)	330
(7,210)	(9,175)	(7,221)	(7,757)	536	6.9	(5,926)
(1,262)	(1,041)	(954)	(997)	43	4.3	(1,782)
(1,022)	(915)	(313)	(321)	8	2.5	(358)
(1,150)	(993)	(1,156)	(1,168)	12	1.0	38
-	-	-	-	-	-	(2)
-	-	-	70	(70)	(100.0)	280
(3,434)	(2,949)	(2,423)	(2,416)	(7)	(0.3)	(1,824)
(10,644)	(12,124)	(9,644)	(10,173)	529	5.2	(7,750)
<i>The residual cash deficit is funded as follows:</i>						
Debt programme cash flows						
Market:						
15,146	12,183	14,505	14,702	(197)	(1.3)	15,554
(7,602)	(7,602)	(9,982)	(9,982)	-	-	(9,982)
2,139	2,118	(4,284)	(4,403)	119	2.7	(5,553)
9,683	6,699	239	317	(78)	(24.6)	19
Non market:						
-	-	-	-	-	-	-
(1,501)	(1,501)	(499)	(499)	-	-	(499)
430	430	-	-	-	-	-
(1,071)	(1,071)	(499)	(499)	-	-	(499)
8,612	5,628	(260)	(182)	(78)	(43.0)	(480)
Other borrowing cash flows						
5,880	7,695	4,214	3,732	482	12.9	4,118
(6,030)	(7,162)	(1,811)	(1,994)	183	9.2	(2,354)
(150)	533	2,403	1,738	665	22.1	1,764
Investing cashflows						
2,270	6,633	9,440	13,630	(4,190)	(30.7)	11,572
203	250	260	282	(22)	(7.8)	264
(291)	(920)	(2,199)	(5,295)	3,096	58.5	(5,370)
2,182	5,963	7,501	8,617	(1,116)	(13.0)	6,466
10,644	12,124	9,644	10,173	(529)	(5.2)	7,750

1. Short-term borrowing consists of Treasury Bills and Euro-Commercial Paper (ECP)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: Post balance date event

The Mighty River Power Share Offer was completed on 10 May 2013. Mighty River Power shares were priced at \$2.50 per share and the Share Offer raised approximately \$1.69 billion in gross proceeds for the Crown.

New Zealand retail investors in the Mighty River Power share offer will receive one loyalty bonus share for every 25 shares they hold for two years from the offer, up to a maximum of 200 bonus shares. The maximum cost of the loyalty bonus scheme to the Government is estimated to be approximately \$25 million.

The Government will continue to hold a controlling interest in Mighty River Power; as a result Mighty River Power will continue to be fully consolidated in the financial statements of the Government. The key change to the financial statements will be the disclosure of the minority interest share of the operating balance and net worth in Mighty River Power.