

Financial Statements of the Government of New Zealand

For the Three Months Ended
30 September 2011



Prepared by The Treasury
10 November 2011

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New Zealand Government



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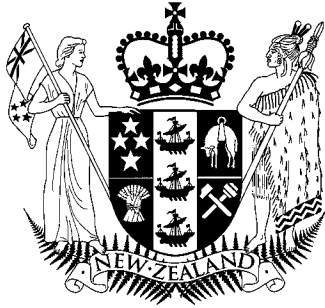
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance over the three months ended 30 September 2011 and its financial position as at that date.

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

At a Glance

Table 1 – Key indicators for the three months ended 30 September 2011 compared to PREFU

	Year to date				Full Year
	September 2011	September 2011 PREFU	Variance to PREFU	Variance to PREFU	June 2012 PREFU
\$ million	Actual ¹	Forecast ¹	\$m	%	Forecast ²
Core Crown					
Core Crown tax revenue	13,026	13,327	(301)	(2.3)	55,451
Core Crown revenue	14,116	14,436	(320)	(2.2)	61,165
Core Crown expenses	17,267	17,382	115	0.7	74,460
Core Crown residual cash	(4,491)	(4,651)	160	3.4	(13,636)
Gross debt ³	76,278	76,589	311	0.4	79,779
<i>as a percentage of GDP</i>	38.1%	38.2%			37.7%
Net debt ⁴	45,247	45,709	462	1.0	53,823
<i>as a percentage of GDP</i>	22.6%	22.8%			25.4%
Total Crown					
Operating balance before gains and losses	(2,480)	(2,270)	(210)	(9.3)	(10,809)
Operating balance	(6,996)	(6,984)	(12)	(0.2)	(12,601)
Net worth	73,916	73,877	39	0.1	68,282

1 Using GDP for the year ended 30 June 2011 of \$200,291 million (Source: Statistics New Zealand)

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

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

4 Net core Crown debt excluding student loans and other advances

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

Results for the three months ended 30 September 2011

For the first three months of the financial year the operating balance before gains and losses deficit was \$2.5 billion, which was \$210 million greater than expected.

The key driver of this difference was core Crown tax revenue, which at \$13.0 billion was \$301 million (2.3%) lower than forecast. The main variances were as follows:

- GST revenue was \$154 million (4.2%) below forecast
- other individuals tax was \$85 million (13.2%) below forecast, and
- corporate tax was \$63 million (3.2%) below forecast.

Monthly flows of tax revenue can be quite volatile. With only one month of new data since completing the PREFU forecasts it is likely this volatility will reduce in the coming months. For example, since completing the PREFU forecasts there have been a range of corporate profit announcements, both positive and negative.

The operating balance deficit was close to forecast at \$7.0 billion. This included forecast losses on the valuation of long term liabilities of the GSF and ACC (\$1.9 billion) and losses on investment portfolios (\$2.7 billion). We have forecast for these investment losses to reverse during the year but returns on global equity markets are currently volatile.

Further analysis of the September results follows.

ANALYSIS

Table 2 – Key indicator variances for the three months ended 30 September 2011 compared to *PREFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	-\$320 million (lower than forecast)	<p>Core Crown revenue was \$320m or 2.2% below forecast mainly due to lower than forecast tax revenue, which was \$301m or 2.3% lower than forecast:</p> <ul style="list-style-type: none"> • GST revenue was \$154m (4.2%) below forecast primarily driven by lower than expected inflation in the September quarter and shifts in consumer spending patterns. At least some of this is expected to reverse out in future months but with insurance related GST refunds being erratic in nature, the variance could increase before shrinking again. • Other individuals' tax revenue was \$85m (13.2%) below forecast. With not a lot of other individuals' tax paid between September and December, quite small variances can result in large percentage changes. • Corporate tax revenue was \$63m (3.2%) below forecast. September is generally a seasonally-low month for company tax, so it is difficult to draw strong conclusions from this month's outturn. Since finalising the <i>PREFU</i> there has been a mixture of public profit announcements, with some high-profile companies making large profit downgrades but others announcing significant profit increases. Preliminary data indicates that this negative variance may reduce in October.
Core Crown expenses	\$115 million (lower than forecast)	<p>Core Crown expenses were within 1% of forecast for the first three months of the year (\$115m or 0.7% lower).</p> <p>There were two items that made up most of this difference with the remainder all being below \$25m.</p> <p>Expenses relating to the four Canterbury councils for reimbursement under the National Civil Defence Emergency Plan were behind schedule by \$32m. This is eventually expected to catch-up.</p> <p>Expenses relating to rail projects (eg, Auckland Rail development) are behind forecast by around \$25m. At this stage these delays are also timing differences that should reverse during the year.</p>
Core Crown residual cash deficit	\$160 million (lower than forecast)	<p>Both core Crown tax receipts (lower by \$229m) and operating payments (lower by \$132m) follow a similar trend to revenue and expense mentioned above and as a result net core Crown cash flows from operations were weaker than forecast by around \$90m.</p> <p>Offsetting this, there were delays in capital spending of around \$250m, resulting in the residual cash deficit being \$160m lower than expected. The delays in capital spending were largely made up of:</p> <ul style="list-style-type: none"> • Net purchases of physical assets being \$77m lower than forecast largely due to delays in payments for defence assets of \$70m. • Issuance of advances being \$174m lower than forecast with most of this being advances to other government entities.

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

Item/indicator	Variance ¹	Key drivers
Gross debt	\$311 million (lower than forecast)	Gross debt was relatively close to forecast. The majority of the difference in September was due to a higher level of government stock being held by the Reserve Bank and hence being eliminated on consolidation. This is net debt neutral.
Net debt	\$462 million (lower than forecast)	Net debt at \$45,247m was within 1% of forecast. There were two main reasons for net debt being \$462m lower than forecast: <ul style="list-style-type: none"> • The residual cash deficit (as mentioned earlier) was lower than expected. • Higher than forecast issuance of circulating currency has increased the Reserve Bank's financial assets holdings. The offsetting liability is not included in the net debt measure.
Total Crown		
Operating balance before gains and losses deficit	-\$210 million (higher than forecast)	The OBEGAL deficit was lower than forecast, as a result of the lower than expected core Crown tax revenue (\$301m) and lower than expected core Crown expenses (\$115m) as detailed above.
Operating balance deficit	-\$12 million (higher than forecast)	The operating balance deficit was close to forecast.
Net worth	\$39 million (higher than forecast)	Net worth was also close to forecast.

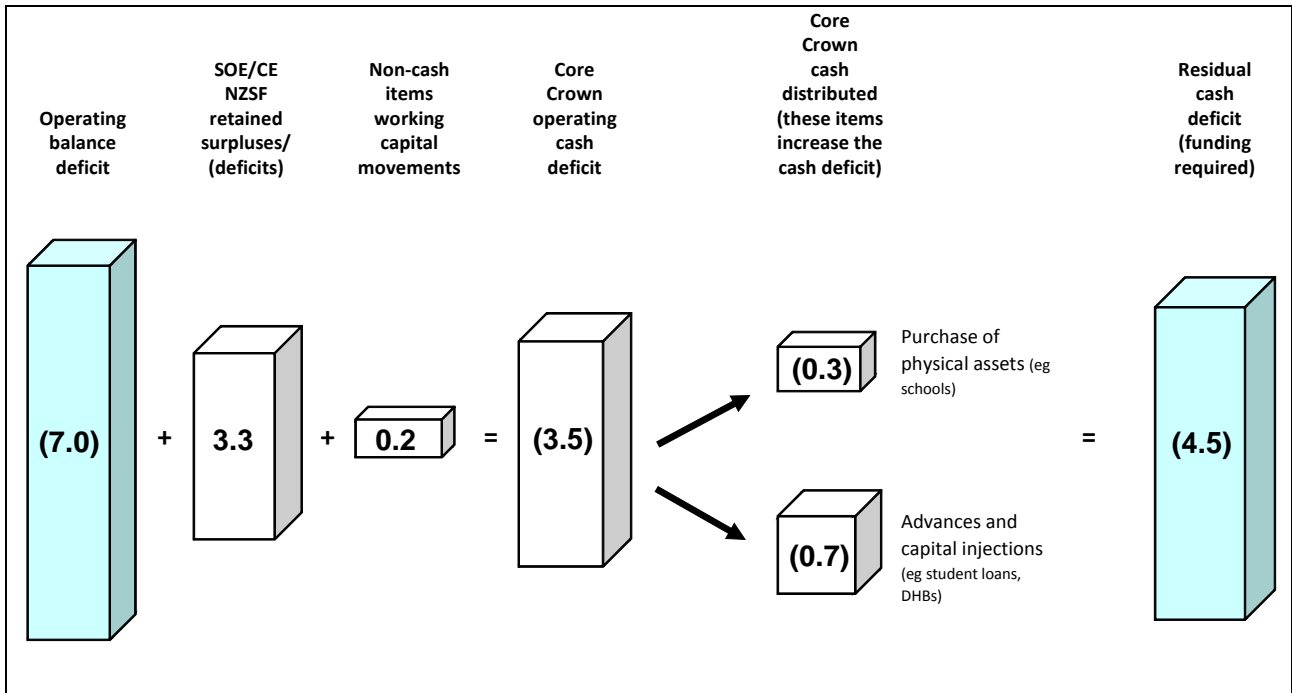
Table 3 – Fiscal Strategy and financial results

Fiscal Strategy		Financial Results		Ref	30 Sep 2011 Actual \$m	30 Sep 2011 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
		Taxation as a % of GDP	1		26.0%	26.6%			26.2%
Operating revenue Ensure sufficient revenue to meet the operating balance objective		Core Crown taxation revenue ...			13,026	13,327	(301)	(2.3)	55,451
		... combined with other core Crown revenue ...			1,090	1,109	(19)	(1.7)	5,714
		... fund core Crown expenses...			(17,267)	(17,382)	115	0.7	(74,460)
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to 30% of GDP.		... and with SOE and Crown entity results and core Crown gains and losses...			(3,845)	(4,038)	193	4.8	694
		... result in an operating surplus or deficit...			(6,996)	(6,984)	(12)	(0.2)	(12,601)
Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective		...with income in SOEs, CEs and the NZS Fund retained...			3,288	3,647	(359)	(9.8)	(1,182)
		... and some items do not impact cash ...			212	(71)	283	398.6	4,457
		... leaving operating cash flows to ...			(3,496)	(3,408)	(88)	(2.6)	(9,326)
		... meet the capital expenditure budget ...			(348)	(425)	77	18.1	(2,025)
Debt Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and brought back to a level no higher than 20% of GDP by the early 2020's		... and make advances (e.g. to students and DHBs)			(647)	(818)	171	20.9	(2,285)
		With the residual cash ...			(4,491)	(4,651)	160	3.4	(13,636)
		... when combined with opening net debt ...			40,128	40,128	-	-	40,128
		... and fair value movements and other changes in financial assets and financial liabilities ...			628	930	302	32.5	59
		... results in a closing net debt ...			45,247	45,709	462	1.0	53,823
	... and as a % of GDP			22.6%	22.8%			25.4%	

¹ GDP for the three months ended 30 September 2011 (actual and forecast) is the actual data for the year ended 31 December 2010 (Source: Statistics New Zealand) pro-rated for three 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

	September 2011 Actual \$m	September 2010 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	13,026	12,506	520	4.2
Other revenue	1,090	1,134	(44)	(3.9)
Total Core Crown Revenue	14,116	13,640	476	3.5
Core Crown expenses				
Social security and welfare	5,512	5,389	123	2.3
GSF pension expenses	50	73	(23)	(31.5)
Health	3,494	3,413	81	2.4
Education	3,129	3,054	75	2.5
Core government services	978	841	137	16.3
Law and order	854	842	12	1.4
Defence	453	452	1	0.2
Transport and communications	455	546	(91)	(16.7)
Economic and industrial services	573	700	(127)	(18.1)
Primary services	150	163	(13)	(8.0)
Heritage, culture and recreation	422	260	162	62.3
Housing and community development	124	123	1	0.8
Other	117	95	22	23.2
Finance costs	956	678	278	41.0
Total Core Crown Expenses	17,267	16,629	638	3.8
Net surplus of SOE/CE's (and inter-segment eliminations)	671	(720)	1,391	193.2
OBEGAL	(2,480)	(3,709)	1,229	33.1
Total gains/(losses)	(4,576)	1,325	(5,901)	(445.4)
Other operating items	60	30	30	100.0
Operating Balance	(6,996)	(2,354)	(4,642)	(197.2)
Core Crown residual cash	(4,491)	(6,449)	1,958	30.4
Debt indicators				
Gross debt²	76,278	59,095	17,183	29.1
Net debt³	45,247	33,819	11,428	33.8

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

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

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

Revenue and Expenses

Core Crown taxation revenue for the three months ended 30 September 2011 increased by \$0.5 billion (4.2%) on the same period last year. GST was the largest contributor to the rise in tax revenue (\$0.5b) following the increase in the GST rate in October 2010 as well as higher nominal consumption compared to last year. Corporate tax was also higher than this time last year (\$0.3b) due to a modest recovery in corporate profits after the recession. Partially offsetting these increases in tax revenue was a decrease in source deductions (\$0.4b) as a result of the lowering of personal income tax rates announced in Budget 2010.

Total **core Crown expenses** increased by \$0.6 billion (3.8%) on the same period last year. The significant movements in core Crown functional expenses were as follows:

Functional expense	Movement from previous year	Main drivers of the change
Finance Costs	+ \$0.3 billion	<ul style="list-style-type: none">• A result of increased debt levels.
Heritage, Culture and recreation	+ \$0.2 billion	<ul style="list-style-type: none">• Allocation of NZ units under the Emissions Trading Scheme.
Social Security and Welfare	+ \$0.1 billion	<ul style="list-style-type: none">• Indexation of welfare benefits and higher beneficiary recipient numbers and payments for earthquake support.
Total	+ \$0.6 billion	

The **surplus of SOE/CE's** was \$671 million in the first three months of this year, compared to a \$720 million deficit in the first three months of the 2010 financial year. The large change from last year is largely due to the impact of the Canterbury earthquakes on the EQC result in the 2010 financial year.

Total losses were \$4.6 billion in the three months to September 2011 due to weak global equity markets and increases in the valuation of the Crown's long-term liabilities (eg, ACC and GSF). In contrast, strong global equity markets in the first three months of the 2010 financial year resulted in total gains of \$1.3 billion to 30 September 2010.

Debt

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



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

1 Reporting Entity

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

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

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

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

2 General Accounting Policies

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

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

3 Specific Accounting Policies

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

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

4 Forecasts

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

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

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

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

5 Comparative Figures

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

6 Variance Percentages

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

7 Judgements and Estimates

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

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

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

STATEMENT OF FINANCIAL PERFORMANCE

for the three months ended 30 September 2011

Year to 30 Jun 2011	3 months to 30 Sep 2010		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
51,128	12,357	Taxation revenue	1	12,888	13,203	(315)	(2.4)	54,957
5,281	1,265	Other sovereign revenue	1	1,181	1,307	(126)	(9.6)	5,563
56,409	13,622	Total Revenue Levied through the Crown's Sovereign Power		14,069	14,510	(441)	(3.0)	60,520
15,084	3,876	Sales of goods and services		4,310	4,344	(34)	(0.8)	16,825
2,570	687	Interest revenue and dividends	2	690	593	97	16.4	2,814
7,500	1,225	Other revenue		791	770	21	2.7	3,478
25,154	5,788	Total revenue earned through the Crown's operations		5,791	5,707	84	1.5	23,117
81,563	19,410	Total revenue (excluding gains)		19,860	20,217	(357)	(1.8)	83,637
		Expenses						
22,172	5,593	Social assistance and official development assistance	3	5,589	5,605	16	0.3	22,580
19,088	4,679	Personnel expenses	4	4,819	4,811	(8)	(0.2)	19,536
4,682	1,060	Depreciation and amortisation	5	1,106	1,112	6	0.5	4,562
35,829	8,196	Other operating expenses	5	8,918	9,163	245	2.7	40,685
3,596	783	Interest expenses	6	1,100	1,003	(97)	(9.7)	3,959
14,592	2,808	Insurance expenses	7	808	836	28	3.3	3,751
-	-	Forecast new operating spending	5	-	-	-	-	473
-	-	Top-down expense adjustment	5	-	(43)	(43)	(100.0)	(1,100)
99,959	23,119	Total expenses (excluding losses)		22,340	22,487	147	0.7	94,446
(18,396)	(3,709)	Operating balance before gains/(losses)		(2,480)	(2,270)	(210)	(9.3)	(10,809)
4,619	2,089	Net gains/(losses) on financial instruments	8	(2,704)	(2,860)	156	5.5	(4)
79	(764)	Net gains/(losses) on non-financial instruments	9	(1,872)	(1,921)	49	2.6	(2,064)
4,698	1,325	Total gains/(losses)		(4,576)	(4,781)	205	4.3	(2,068)
237	31	Net surplus/(deficit) from associates and joint ventures		60	67	(7)	(10.4)	276
(13,461)	(2,353)	Operating balance from continuing activities		(6,996)	(6,984)	(12)	(0.2)	(12,601)
-	(1)	(1) Gain/(loss) from discontinued operations		-	-	-	-	-
(13,461)	(2,354)	Operating balance (including minority interest)		(6,996)	(6,984)	(12)	(0.2)	(12,601)
101	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(13,360)	(2,354)	Operating balance	10	(6,996)	(6,984)	(12)	(0.2)	(12,601)

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

STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 September 2011

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(13,461)	(2,354)	Operating Balance (including minority interest)	(6,996)	(6,984)	(12)	(0.2)	(12,601)
		Other comprehensive income					
(443)	(27)	Revaluation of physical assets	(42)	(23)	(19)	(82.6)	-
(252)	(85)	Effective portion of changes in value of cash flow hedges	65	3	62	-	7
17	-	Net change in fair value of cash flow hedges transferred to operating balance	1	-	1	-	1
95	5	Net change in fair value of cash flow hedges transferred to the hedged item	(11)	-	(11)	-	(21)
(37)	6	Foreign currency translation differences for foreign operations	(2)	3	(5)	(166.7)	6
(1)	4	Valuation gains/(losses) on investments available for sale taken to reserves	15	(9)	24	266.7	3
1	2	Other movements	(2)	(1)	(1)	(200.0)	-
(620)	(95)	Total other comprehensive income	25	(27)	51	192.5	(4)
(14,081)	(2,449)	Total comprehensive income	(6,972)	(7,011)	39	0.6	(12,605)
		Attributable to:					
(74)	-	- minority interest in Air New Zealand	-	-	-	-	-
(14,007)	(2,449)	- the Crown	(6,972)	(7,011)	39	0.6	(12,605)
(14,081)	(2,449)	Total comprehensive income	(6,972)	(7,011)	39	0.6	(12,605)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the three months ended 30 September 2011

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
25,324	6,243	Social security and welfare	6,310	6,355	45	0.7	26,047
311	75	GSF pension expenses	54	53	(1)	(1.9)	210
13,068	3,249	Health	3,391	3,425	34	1.0	13,809
12,406	3,291	Education	3,324	3,335	11	0.3	13,052
5,515	811	Core government services	926	983	57	5.8	7,018
3,567	879	Law and order	893	905	12	1.3	3,823
1,778	445	Defence	439	463	24	5.2	1,856
8,402	2,037	Transport and communications	2,068	2,108	40	1.9	8,943
18,818	3,935	Economic and industrial services	2,179	2,230	51	2.3	8,884
1,603	391	Primary services	432	435	3	0.7	1,710
3,437	581	Heritage, culture and recreation	785	793	8	1.0	3,898
1,655	304	Housing and community development	322	325	3	0.9	1,158
479	95	Other	117	117	-	-	706
3,596	783	Finance costs	1,100	1,003	(97)	(9.7)	3,959
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(43)	(43)	(100.0)	(1,100)
99,959	23,119	Total Crown expenses excluding losses	22,340	22,487	147	0.7	94,446

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

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,005	5,389	Social security and welfare	5,512	5,516	4	0.1	22,560
305	73	GSF pension expenses	50	50	-	-	201
13,753	3,413	Health	3,494	3,500	6	0.2	14,350
11,650	3,054	Education	3,129	3,133	4	0.1	12,269
5,563	841	Core government services	978	1,031	53	5.1	7,138
3,382	842	Law and order	854	860	6	0.7	3,635
1,809	452	Defence	453	473	20	4.2	1,903
2,281	546	Transport and communications	455	479	24	5.0	2,468
2,609	700	Economic and industrial services	573	581	8	1.4	2,529
706	163	Primary services	150	153	3	2.0	783
1,966	260	Heritage, culture and recreation	422	434	12	2.8	2,490
876	123	Housing and community development	124	143	19	13.3	400
479	95	Other	117	117	-	-	706
3,066	678	Finance costs	956	955	(1)	(0.1)	3,655
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(43)	(43)	(100.0)	(1,100)
70,450	16,629	Core Crown expenses excluding losses	17,267	17,382	115	0.7	74,460

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

STATEMENT OF CASH FLOWS

for the three months ended 30 September 2011

Year to 30 Jun 2011	3 months to 30 Sep 2010		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows From Operations					
		Cash was provided from					
50,418	11,839	Taxation receipts	12,014	12,154	(140)	(1.2)	54,070
4,693	1,311	Other sovereign receipts	1,150	1,160	(10)	(0.9)	4,884
14,899	3,858	Sales of goods and services	4,254	4,217	37	0.9	16,424
2,682	800	Interest and dividends	651	597	54	9.0	2,602
2,990	768	Other operating receipts	1,095	1,050	45	4.3	5,164
75,682	18,576	Total cash provided from operations	19,164	19,178	(14)	(0.1)	83,144
		Cash was disbursed to					
		Social assistance and official development assistance	6,554	6,532	(22)	(0.3)	23,089
22,172	6,319	Personnel and operating payments	15,521	15,512	(9)	(0.1)	62,029
55,152	15,430	Interest payments	3,107	427	(2,680)	(86.2)	4,100
3,107	427	Forecast new operating spending	-	-	-	-	623
-	-	Top-down expense adjustment	-	(43)	(43)	(100.0)	(1,100)
-	-						
80,431	22,176	Total cash disbursed to operations	22,590	22,436	(154)	(0.7)	88,741
(4,749)	(3,600)	Net cash flows from operations	(3,426)	(3,258)	(168)	(5.2)	(5,597)
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,996)	(1,412)	Net purchase of physical assets	(1,356)	(1,809)	453	25.0	(7,841)
(8,405)	1,746	Net purchase of shares and other securities	(441)	(1,503)	1,062	70.7	(2)
(600)	(67)	Net purchase of intangible assets	(109)	(97)	(12)	(12.4)	(582)
(1,003)	(291)	Net (issue)/repayment of advances	(365)	(474)	109	23.0	(1,673)
173	9	Net acquisition of investments in associates	24	15	9	60.0	(30)
-	-	Capital contingency provision	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	-	-	-	350
(15,831)	(15)	Net cash flows from investing activities	(2,247)	(3,868)	1,621	41.9	(10,020)
(20,580)	(3,615)	Net cash flows from operating and investing activities	(5,673)	(7,126)	1,453	20.4	(15,617)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	40	Issues of circulating currency	140	9	131	-	89
21,088	4,186	Net issue/(repayment) of Government stock ¹	6,475	5,210	1,265	24.3	10,312
1,809	1,319	Net issue/(repayment) of foreign currency borrowing	(2,317)	(1,975)	(342)	(17.3)	(7,720)
81	41	Net issue/(repayment) of other New Zealand dollar borrowing	4,999	3,633	1,366	37.6	12,454
23,212	5,586	Net cash flows from financing activities	9,297	6,877	2,420	35.2	15,135
2,632	1,971	Net movement in cash	3,624	(249)	3,873	-	(482)
7,774	7,774	Opening Cash Balance	9,801	9,801	-	-	9,801
		Foreign-exchange gains/(losses) on opening cash	315	(136)	451	331.6	(134)
(605)	(137)						
9,801	9,608	Closing Cash Balance	13,740	9,416	4,324	45.9	9,185

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

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the three months ended 30 September 2011

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 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)	(3,600)	Net Cash Flows from Operations	(3,426)	(3,258)	(168)	(5.2)	(5,597)
<i>Items included in the operating balance but not in net cash flows from operations.</i>							
Gains/(losses)							
4,619	2,089	Gains/(losses) on other financial instruments	(2,704)	(2,860)	156	5.5	(4)
79	(764)	Gains/(losses) on other non-financial instruments	(1,872)	(1,921)	49	2.6	(2,064)
4,698	1,325	Total gains/(losses)	(4,576)	(4,781)	205	4.3	(2,068)
Other Non-cash Items in Operating Balance							
(4,682)	(1,060)	Depreciation and amortisation	(1,106)	(1,112)	6	0.5	(4,562)
(807)	(188)	Write-down on initial recognition of loans impairment on financial assets (excluding receivables)	(147)	(148)	1	0.7	(798)
105	7	Decrease/(increase) in defined benefit retirement plan liabilities	14	15	(1)	(6.7)	79
358	168	Decrease/(increase) in insurance liabilities	85	85	-	-	475
(13,179)	(1,548)	Other	929	865	64	7.4	2,460
238	27		60	66	(6)	(9.1)	281
(17,967)	(2,594)	Total other non-cash Items	(165)	(229)	64	27.9	(2,065)
Movements in Working Capital							
6,605	1,560	Increase/(decrease) in receivables	(951)	(1,329)	378	28.4	(1,532)
(599)	(469)	Increase/(decrease) in accrued interest	(546)	(573)	27	4.7	353
149	46	Increase/(decrease) in inventories	16	(1)	17	-	11
39	91	Increase/(decrease) in prepayments	157	60	97	161.7	4
(46)	(120)	Decrease/(increase) in deferred revenue	56	49	7	14.3	164
(1,490)	1,407	Decrease/(increase) in payables	2,439	3,078	(639)	(20.8)	(1,871)
4,658	2,515	Total movements in working capital	1,171	1,284	(113)	(8.8)	(2,871)
(13,360)	(2,354)	Operating Balance	(6,996)	(6,984)	(12)	(0.2)	(12,601)

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

STATEMENT OF CHANGES IN NET WORTH

for the three months ended 30 September 2011

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
94,988	94,988	Opening net worth	80,887	80,887	-	-	80,887
(13,461)	(2,354)	Operating balance (including minority interest)	(6,996)	(6,984)	(12)	(0.2)	(12,601)
(443)	(27)	Net revaluations	(42)	(23)	(19)	(82.6)	-
(280)	(81)	Transfers to/(from) reserves (Gains)/losses transferred to the statement of financial performance	80	(6)	86	-	7
17	-		-	-	-	-	1
86	13	Other movements	(14)	3	(16)	-	(12)
(14,081)	(2,449)	Total comprehensive income	(6,972)	(7,011)	39	0.6	(12,605)
(20)	-	Transactions with minority interest in Air New Zealand	-	-	-	-	-
80,887	92,539	Closing net worth	73,916	73,877	39	0.1	68,282

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

STATEMENT OF FINANCIAL POSITION

as at 30 September 2011

As at 30 Jun 2011 Actual \$m	As at 30 Sep 2010 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
9,801	9,608	Cash and cash equivalents	11	13,740	9,416	4,324	45.9	9,185
21,690	15,865	Receivables	11	22,474	20,521	1,953	9.5	18,798
49,056	42,089	Marketable securities, deposits and derivatives in gain	11	44,511	48,941	(4,430)	(9.1)	42,497
14,248	13,034	Share investments	11	13,401	14,996	(1,595)	(10.6)	18,443
20,567	18,921	Advances	11	21,455	20,843	612	2.9	22,181
1,308	1,205	Inventory		1,324	1,308	16	1.2	1,320
1,996	1,701	Other assets		2,148	2,063	85	4.1	1,946
114,854	113,788	Property, plant & equipment	12	115,277	115,928	(651)	(0.6)	119,067
9,301	9,061	Equity accounted investments ¹		9,494	9,533	(39)	(0.4)	9,689
2,394	2,292	Intangible assets and goodwill ²		2,384	2,396	(12)	(0.5)	2,597
-	-	Forecast for new capital spending		-	-	-	-	242
-	-	Top-down capital adjustment		-	-	-	-	(350)
245,215	227,564	Total assets		246,208	245,945	263	0.1	245,615
Liabilities								
4,254	4,061	Issued currency		4,395	4,281	(114)	(2.7)	4,361
11,099	8,190	Payables	14	10,893	10,967	74	0.7	12,303
1,674	1,748	Deferred revenue		1,618	1,625	7	0.4	1,510
90,245	76,477	Borrowings		97,504	97,198	(306)	(0.3)	101,237
39,314	29,484	Insurance liabilities	15	39,529	39,641	112	0.3	38,272
10,156	9,772	Retirement plan liabilities		10,972	10,972	-	-	10,581
7,586	5,293	Provisions	16	7,381	7,384	3	-	9,069
164,328	135,025	Total liabilities		172,292	172,068	(224)	(0.1)	177,333
80,887	92,539	Total assets less total liabilities		73,916	73,877	39	0.1	68,282
Net Worth								
18,188	28,750	Taxpayer funds	17	11,201	11,213	(12)	(0.1)	5,631
62,690	63,551	Revaluation reserve	17	62,638	62,657	(19)	-	62,646
(299)	(164)	Other reserves	17	(231)	(301)	70	23.3	(303)
80,579	92,137	Total net worth attributable to the Crown		73,608	73,569	39	0.1	67,974
308	402	Net worth attributable to minority interest in Air New Zealand		308	308	-	-	308
80,887	92,539	Total net worth		73,916	73,877	39	0.1	68,282

¹ Tertiary education institutions constitute most equity accounted investments.

² Intangible assets include the Kyoto net asset of \$294 million.

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

STATEMENT OF BORROWINGS

as at 30 September 2011

As at 30 Jun 2011 Actual \$m	As at 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
46,018	31,834	Government stock ¹	49,005	49,569	564	1.1	52,630
7,028	7,041	Treasury bills	7,784	7,809	25	0.3	8,997
261	295	Government retail stock	257	258	1	0.4	258
6,276	7,108	Settlement deposits with Reserve Bank	6,944	6,878	(66)	(1.0)	5,429
2,767	2,227	Derivatives in loss	4,472	3,110	(1,362)	(43.8)	2,638
1,176	842	Finance lease liabilities	1,150	1,146	(4)	(0.3)	1,556
26,719	27,130	Other borrowings	27,892	28,428	536	1.9	29,729
90,245	76,477	Total borrowings	97,504	97,198	(306)	(0.3)	101,237
67,765	55,762	Sovereign-guaranteed debt	73,814	74,016	202	0.3	76,415
22,480	20,715	Non sovereign-guaranteed debt	23,690	23,182	(508)	(2.2)	24,822
90,245	76,477	Total borrowings	97,504	97,198	(306)	(0.3)	101,237
Net Debt:							
76,885	64,915	Core Crown borrowings ²	82,917	83,228	311	0.4	84,636
405	(161)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,206)	(1,206)	-	-	(872)
77,290	64,754	Gross sovereign-issued debt³	81,711	82,022	311	0.4	83,764
65,400	57,327	Less core Crown financial assets ⁴	64,672	65,266	(594)	(0.9)	61,028
11,890	7,427	Net core Crown debt (incl NZS Fund)⁵	17,039	16,756	(283)	(1.7)	22,736
16,159	15,111	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	15,651	16,398	(747)	(4.6)	18,171
28,049	22,538	Net core Crown debt (excl NZS Fund)⁵	32,690	33,154	464	1.4	40,907
12,079	11,281	Core crown advances	12,557	12,555	(2)	-	12,916
40,128	33,819	Net core Crown debt (excl NZS Fund and advances)⁷	45,247	45,709	462	1.0	53,823
Gross Debt:							
77,290	64,754	Gross sovereign-issued debt ³	81,711	82,022	311	0.4	83,764
(6,470)	(7,259)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,033)	(7,033)	0	-	(5,585)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
72,420	59,095	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve	76,278	76,589	311	0.4	79,779

Notes on gross and net debt:

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

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

STATEMENT OF COMMITMENTS

as at 30 September 2011

	As at 30 Sep 2011 \$m	As at 30 Jun 2011 \$m	As at 30 Sep 2010 \$m
Capital Commitments			
Specialist military equipment	402	369	398
Land and buildings	647	701	830
Other property, plant and equipment	7,026	7,032	6,478
Other capital commitments	269	408	262
Tertiary Education Institutions	413	413	302
Total capital commitments	8,757	8,923	8,270
Operating Commitments			
Non-cancellable accommodation leases	2,830	2,909	2,907
Other non-cancellable leases	3,032	3,171	3,559
Non-cancellable contracts for the supply of goods and services	5,513	5,520	2,257
Other operating commitments	7,796	7,415	9,107
Tertiary Education Institutions	366	366	304
Total operating commitments	19,537	19,381	18,134
Total commitments	28,294	28,304	26,404
Total Commitments by Segment			
Core Crown	19,063	22,129	17,646
Crown entities	13,951	12,925	13,293
State-owned Enterprises	10,300	10,410	7,716
Inter-segment eliminations	(15,020)	(17,160)	(12,251)
Total commitments	28,294	28,304	26,404

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 September 2011

	As at 30 Sep 2011 \$m	As at 30 Jun 2011 \$m	As at 30 Sep 2010 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	83	78	107
Uncalled capital	4,260	4,033	3,584
Legal proceedings and disputes	444	331	405
Other contingent liabilities	2,831	2,699	3,534
Total quantifiable contingent liabilities	7,618	7,141	7,630
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,322	6,884	7,302
Crown entities	238	173	241
State-owned Enterprises	58	84	87
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,618	7,141	7,630
Quantifiable Contingent Assets			
Core Crown	702	702	635
Crown entities	4	2	3
Total quantifiable contingent assets	706	704	638

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	3 months to 30 Sep 2010	Actual Actual \$m	Actual 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	5,692			5,255	5,277	(22)	(0.4)	21,304
3,791	1,026			1,018	1,083	(65)	(6.0)	4,290
(1,679)	(542)			(575)	(554)	(21)	(3.8)	(1,616)
462	119			115	113	2	1.8	440
23,431	6,295			5,813	5,919	(106)	(1.8)	24,418
Corporate Tax								
6,687	1,347			1,728	1,815	(87)	(4.8)	8,025
(197)	(42)			(36)	(43)	7	16.3	(260)
467	152			120	106	14	13.2	427
-	(1)			(1)	(1)	-	-	-
6,957	1,456			1,811	1,877	(66)	(3.5)	8,192
Other Income Tax								
1,704	405			399	439	(40)	(9.1)	1,646
195	41			67	51	16	31.4	207
2	-			-	-	-	-	-
1,901	446			466	490	(24)	(4.9)	1,853
32,289	8,197			8,090	8,286	(196)	(2.4)	34,463
Goods and Services Tax								
23,484	4,819			6,073	6,185	(112)	(1.8)	25,626
(9,776)	(1,816)			(2,574)	(2,531)	(43)	(1.7)	(10,557)
13,708	3,003			3,499	3,654	(155)	(4.2)	15,069
Other Taxation								
1,016	233			252	253	(1)	(0.4)	1,073
872	240			233	258	(25)	(9.7)	921
623	167			152	145	7	4.8	712
220	27			53	39	14	35.9	210
575	106			125	88	37	42.0	640
229	58			65	67	(2)	(3.0)	245
924	158			250	235	15	6.4	956
188	52			51	50	1	2.0	178
214	50			51	64	(13)	(20.3)	224
172	43			44	43	1	2.3	168
62	14			15	12	3	25.0	60
36	9			8	9	(1)	(11.1)	38
5,131	1,157			1,299	1,263	36	2.9	5,425
18,839	4,160			4,798	4,917	(119)	(2.4)	20,494
51,128	12,357			12,888	13,203	(315)	(2.4)	54,957
Other Sovereign Revenue (accrual)								
3,586	900			893	937	(44)	(4.7)	3,686
312	91			99	97	2	2.1	309
88	22			23	25	(2)	(8.0)	103
1,295	252			166	248	(82)	(33.1)	1,465
5,281	1,265			1,181	1,307	(126)	(9.6)	5,563
56,409	13,622			14,069	14,510	(441)	(3.0)	60,520

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	3 months to 30 Sep 2010	Actual \$m	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	5,683		Source deductions	5,182	5,162	20	0.4	21,212
4,386	1,074		Other persons	996	1,056	(60)	(5.7)	4,897
(2,463)	(996)		Refunds	(968)	(965)	(3)	(0.3)	(2,342)
457	111		Fringe benefit tax	103	102	1	1.0	439
23,079	5,872		Total individuals	5,313	5,355	(42)	(0.8)	24,206
Corporate Tax								
7,588	1,922		Gross companies tax	2,080	2,115	(35)	(1.7)	8,603
(772)	(216)		Refunds	(144)	(150)	6	4.0	(918)
462	146		Non-resident withholding tax	101	104	(3)	(2.9)	427
(1)	(2)		Foreign-source dividend w/holding payments	(1)	(1)	-	-	-
7,277	1,850		Total corporate tax	2,036	2,068	(32)	(1.5)	8,112
Other Income Tax								
1,701	388		Resident w/holding tax on interest income	396	400	(4)	(1.0)	1,645
196	36		Resident w/holding tax on dividend income	62	48	14	29.2	206
2	-		Estate and gift duties	-	-	-	-	-
1,899	424		Total other income tax	458	448	10	2.2	1,851
32,255	8,146		Total income tax	7,807	7,871	(64)	(0.8)	34,169
Goods and Services Tax								
22,162	4,391		Gross goods and services tax	5,563	5,533	30	0.5	24,370
(9,177)	(1,788)		Refunds	(2,537)	(2,463)	(74)	(3.0)	(9,896)
12,985	2,603		Total goods and services tax	3,026	3,070	(44)	(1.4)	14,474
Other Taxation								
1,015	232		Road user charges	252	253	(1)	(0.4)	1,073
869	231		Petroleum fuels excise - domestic production	227	239	(12)	(5.0)	921
625	130		Alcohol excise - domestic production	148	140	8	5.7	712
181	23		Tobacco excise - domestic production	45	34	11	32.4	210
2,005	369		Customs duty	393	418	(25)	(6.0)	2,019
216	52		Gaming duties	54	65	(11)	(16.9)	225
171	31		Motor vehicle fees	39	43	(4)	(9.3)	168
60	13		Approved issuer levy and cheque duty	15	12	3	25.0	61
36	9		Energy resources levies	8	9	(1)	(11.1)	38
5,178	1,090		Total other indirect taxation	1,181	1,213	(32)	(2.6)	5,427
18,163	3,693		Total indirect taxation	4,207	4,283	(76)	(1.8)	19,901
50,418	11,839		Total tax receipts collected	12,014	12,154	(140)	(1.2)	54,070
Other Sovereign Receipts (cash)								
3,612	1,031		ACC levies	871	887	(16)	(1.8)	3,712
312	91		Fire Service levies	99	97	2	2.1	309
88	26		EQC levies	28	24	4	16.7	135
681	163		Other miscellaneous items	152	152	-	-	728
4,693	1,311		Total other sovereign receipts	1,150	1,160	(10)	(0.9)	4,884
55,111	13,150		Total sovereign receipts	13,164	13,314	(150)	(1.1)	58,954

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Interest Revenue and Dividends							
<i>By type</i>							
2,142	602	Interest revenue	575	517	58	11.2	2,272
428	85	Dividends	115	76	39	51.3	542
2,570	687	Total interest revenue and dividends	690	593	97	16.4	2,814
<i>By source</i>							
2,169	346	Core Crown	425	404	21	5.2	2,039
1,234	369	Crown entities	345	407	(62)	(15.2)	1,325
801	280	State-owned Enterprises	215	199	16	8.0	828
(1,634)	(308)	Inter-segment eliminations	(295)	(417)	122	29.3	(1,378)
2,570	687	Total interest revenue and dividends	690	593	97	16.4	2,814
NOTE 3: Social Assistance and Official Development Assistance							
8,830	2,174	New Zealand superannuation	2,354	2,355	1	-	9,597
1,757	445	Domestic purposes benefit	454	455	1	0.2	1,840
943	236	Unemployment benefit	214	213	(1)	(0.5)	860
1,306	333	Invalids benefit	334	334	-	-	1,327
2,139	561	Family tax credit	551	553	2	0.4	2,131
1,197	299	Accommodation supplement	299	298	(1)	(0.3)	1,199
743	186	Sickness benefit	192	192	-	-	770
620	199	Student allowances	206	207	1	0.5	634
409	104	Disability allowances	102	102	-	-	403
1,042	287	KiwiSaver	163	175	12	6.9	685
2,691	658	Other social assistance benefits	653	654	1	0.2	2,590
21,677	5,482	Total social assistance	5,522	5,538	16	0.3	22,036
495	111	Official development assistance	67	67	-	-	544
22,172	5,593	Total social assistance and official development assistance	5,589	5,605	16	0.3	22,580
NOTE 4: Personnel Expenses							
5,996	1,476	Core Crown	1,481	1,477	(4)	(0.3)	6,011
10,410	2,545	Crown entities	2,624	2,637	13	0.5	10,724
2,695	660	State-owned Enterprises	717	699	(18)	(2.6)	2,811
(13)	(2)	Inter-segment eliminations	(3)	(2)	1	50.0	(10)
19,088	4,679	Total personnel expenses	4,819	4,811	(8)	(0.2)	19,536
NOTE 5: Operating Expenses							
<i>By type</i>							
4,682	1,060	Depreciation and amortisation	1,106	1,112	6	0.5	4,562
35,829	8,196	Other operating expenses	8,918	9,163	245	2.7	40,685
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(43)	(43)	(100.0)	(1,100)
40,511	9,256	Total operating expenses	10,024	10,232	208	2.0	44,620
<i>By source</i>							
39,157	8,873	Core Crown	9,237	9,343	106	1.1	42,197
17,905	4,465	Crown entities	4,488	4,523	35	0.8	18,433
9,567	2,461	State-owned Enterprises	2,862	2,957	95	3.2	10,993
(26,118)	(6,543)	Inter-segment eliminations	(6,563)	(6,591)	(28)	(0.4)	(27,003)
40,511	9,256	Total operating expenses	10,024	10,232	208	2.0	44,620

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	3 months to 30 Sep 2010 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 6: Interest Expenses							
<i>By type</i>							
3,545	783	Interest on financial liabilities	1,075	993	(82)	(8.3)	3,914
51	-	Interest unwind on provisions	25	10	(15)	(150.0)	45
3,596	783	Total interest expenses	1,100	1,003	(97)	(9.7)	3,959
<i>By source</i>							
3,066	678	Core Crown	956	955	(1)	(0.1)	3,655
248	62	Crown entities	64	65	1	1.5	266
1,027	349	State-owned Enterprises	276	275	(1)	(0.4)	1,129
(745)	(306)	Inter-segment eliminations	(196)	(292)	(96)	(32.9)	(1,091)
3,596	783	Total interest expenses	1,100	1,003	(97)	(9.7)	3,959
NOTE 7: Insurance Expenses							
<i>By entity</i>							
2,979	782	ACC	724	744	20	2.7	2,307
11,776	2,020	EQC (refer note 20)	21	28	7	25.0	427
(163)	6	Other insurance expenses	63	64	1	1.6	1,017
14,592	2,808	Total insurance expenses	808	836	28	3.3	3,751
NOTE 8: Gains and Losses on Financial Instruments							
<i>By source</i>							
4,116	1,636	Core Crown	(1,970)	(2,201)	231	10.5	36
1,058	707	Crown entities	(239)	(795)	556	69.9	32
(281)	(164)	State-owned Enterprises	(212)	(36)	(176)	(488.9)	(86)
(274)	(90)	Inter-segment eliminations	(283)	172	(455)	(264.5)	14
4,619	2,089	Net gains/(losses) on financial instruments	(2,704)	(2,860)	156	5.5	(4)
NOTE 9: Gains and Losses on Non-Financial Instruments							
<i>By type</i>							
(574)	-	Actuarial gains/(losses) on GSF liability	(900)	(900)	-	-	(900)
996	(805)	Actuarial gains/(losses) on ACC liability	(1,144)	(1,192)	48	4.0	(1,418)
(343)	41	Other	172	171	1	0.6	254
79	(764)	Net gains/(losses) on non-financial instruments	(1,872)	(1,921)	49	2.6	(2,064)
<i>By source</i>							
(588)	3	Core Crown	(804)	(803)	(1)	(0.1)	(834)
931	(808)	Crown entities	(1,145)	(1,194)	49	4.1	(1,429)
(264)	42	State-owned Enterprises	76	75	1	1.3	199
-	(1)	Inter-segment eliminations	1	1	-	-	-
79	(764)	Net gains/(losses) on non-financial instruments	(1,872)	(1,921)	49	2.6	(2,064)
NOTE 10: Operating Balance							
<i>By source</i>							
(9,267)	(1,342)	Core Crown	(5,910)	(5,935)	25	0.4	(14,010)
(3,143)	(1,027)	Crown entities	(719)	(1,301)	582	44.7	538
327	212	State-owned Enterprises	116	280	(164)	(58.6)	1,097
(1,277)	(197)	Inter-segment eliminations	(483)	(28)	(455)	-	(226)
(13,360)	(2,354)	Total operating balance	(6,996)	(6,984)	(12)	(0.2)	(12,601)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 30 Sep 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Financial Assets and Sovereign Receivables							
9,801	9,608	Cash and cash equivalents	13,740	9,416	4,324	45.9	9,185
7,104	6,875	Tax receivables	7,548	7,442	106	1.4	7,348
14,586	8,990	Trade and other receivables	14,926	13,079	1,847	14.1	11,450
7,460	6,847	Student loans	7,539	7,548	(9)	(0.1)	7,932
11,495	10,695	Kiwibank mortgages	11,854	11,915	(61)	(0.5)	12,950
2,259	2,934	Long-term deposits	2,118	2,255	(137)	(6.1)	2,402
2,168	2,177	IMF financial assets	2,311	2,178	133	6.1	2,346
1,612	1,379	Other advances	2,062	1,380	682	49.4	1,299
14,248	13,034	Share investments	13,401	14,996	(1,595)	(10.6)	18,443
5,415	4,093	Derivatives in gain	4,289	5,383	(1,094)	(20.3)	4,188
39,214	32,885	Other marketable securities	35,793	39,125	(3,332)	(8.5)	33,561
115,362	99,517	Total financial assets and sovereign receivables	115,581	114,717	864	0.8	111,104
Financial assets by entity							
29,928	22,827	NZDMO	30,066	31,150	(1,084)	(3.5)	23,314
17,909	18,558	Reserve Bank of New Zealand	19,484	16,996	2,488	14.6	16,752
18,687	17,019	NZ Superannuation Fund	17,326	17,366	(40)	(0.2)	18,872
19,116	18,876	Other core Crown	20,052	19,895	157	0.8	19,110
(9,165)	(8,995)	Intra-segment eliminations	(11,078)	(10,050)	(1,028)	(10.2)	(7,538)
76,475	68,285	Total core Crown segment	75,850	75,357	493	0.7	70,510
21,569	17,908	ACC portfolio	22,313	22,351	(38)	(0.2)	24,548
9,305	6,206	EQC portfolio	8,497	8,673	(176)	(2.0)	6,495
8,831	6,680	Other Crown entities	8,830	8,637	193	2	8,284
(3,314)	(953)	Intra-segment eliminations	(3,398)	(4,025)	627	15.6	(3,426)
36,391	29,841	Total Crown entities segment	36,242	35,636	606	1.7	35,901
20,241	16,872	Total State-owned enterprises segment	20,984	20,326	658	3.2	20,789
(17,745)	(15,481)	Inter-segment eliminations	(17,495)	(16,602)	(893)	(5.4)	(16,096)
115,362	99,517	Total financial assets	115,581	114,717	864	0.8	111,104

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 30 Sep 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 12: Property, Plant and Equipment					
		Net Carrying Value					
		<i>By class of asset:</i>					
16,372	16,698	Land (valuation)	16,407	16,449	(42)	(0.3)	16,774
24,539	24,121	Buildings (valuation)	24,518	24,773	(255)	(1.0)	25,514
2,690	2,278	Electricity distribution network (cost)	2,878	2,837	41	1.4	3,267
14,439	13,760	Electricity generation assets (valuation)	14,453	14,617	(164)	(1.1)	15,208
1,805	2,151	Aircraft (excl military) (valuation)	1,801	1,800	1	0.1	2,048
25,126	25,016	State highways (valuation)	25,313	25,377	(64)	(0.3)	25,842
12,749	12,483	Rail network (valuation)	12,859	12,791	68	0.5	12,986
3,331	3,374	Specialist military equipment (valuation)	3,301	3,378	(77)	(2.3)	3,271
8,133	8,508	Specified cultural and heritage assets (valuation)	8,140	8,140	-	-	8,169
5,670	5,399	Other plant and equipment (cost)	5,607	5,766	(159)	(2.8)	5,988
114,854	113,788	Total net carrying value	115,277	115,928	(651)	(0.6)	119,067
		<i>By source:</i>					
29,549	29,987	Core Crown	29,499	29,609	(110)	(0.4)	30,121
48,480	48,322	Crown entities	48,706	49,018	(312)	(0.6)	50,148
36,825	35,479	State-owned enterprises	37,072	37,301	(229)	(0.6)	38,798
-	-	Inter-segment eliminations	-	-	-	-	-
114,854	113,788	Total net carrying value	115,277	115,928	(651)	(0.6)	119,067
		Movement note					
		Cost or valuation					
123,941	123,941	Opening balance	126,601	126,601	-	-	126,601
6,644	1,682	Additions (refer below)	1,439	1,990	(551)	(27.7)	8,673
(1,283)	(103)	Disposals	(51)	(56)	5	8.9	(371)
(2,471)	-	Net revaluations	8	8	-	-	50
(230)	(44)	Other	407	774	(367)	(47.4)	231
126,601	125,476	Total cost or valuation	128,404	129,317	(913)	(0.7)	135,184
		Accumulated depreciation and impairment					
10,611	10,611	Opening balance	11,747	11,747	-	-	11,747
(832)	(37)	Eliminated on disposal	(19)	(11)	(8)	(72.7)	(109)
(1,884)	-	Eliminated on revaluation	-	-	-	-	-
3,727	908	Depreciation expense	948	961	(13)	(1.4)	3,952
125	206	Other	451	692	(241)	(34.8)	527
11,747	11,688	Total accumulated depreciation and impairment	13,127	13,389	(262)	(2.0)	16,117
114,854	113,788	Total property, plant and equipment	115,277	115,928	(651)	(0.6)	119,067
		Additions - by functional classification					
2,807	540	Transport and communications	530	614	(84)	(13.7)	2,401
1,200	326	Economic and industrial services	336	513	(177)	(34.5)	2,115
648	319	Education	118	122	(4)	(3.3)	886
617	173	Health	94	270	(176)	(65.2)	992
258	133	Defence	156	247	(91)	(36.8)	690
1,114	191	Other	205	224	(19)	(8.5)	1,589
6,644	1,682	Total additions	1,439	1,990	(551)	(27.7)	8,673

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	3 months to 30 Sep 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
518	111	Revenue	127	112	15	13.4	590
872	259	Less current tax expense	(439)	(311)	128	41.2	(20)
169	92	Less other expenses ¹	19	44	25	56.8	171
3,518	1,434	Add gains/(losses)	(2,263)	(2,259)	(4)	(0.2)	(425)
2,995	1,194	Operating balance	(1,716)	(1,880)	164	8.7	14
15,656	15,656	Opening net worth	18,652	18,652	-	-	18,652
2,995	1,194	Operating balance	(1,716)	(1,880)	164	8.7	14
1	1	Other movements in reserves	6	2	4	200.0	6
18,652	16,851	Closing net worth	16,942	16,774	168	1.0	18,672
<i>comprising:</i>							
18,687	17,019	Financial assets	17,326	17,366	(40)	(0.2)	18,872
(1,161)	(1,210)	Financial liabilities	(1,541)	(1,798)	257	14.3	(1,436)
1,126	1,042	Net other assets	1,157	1,206	(49)	(4.1)	1,236
18,652	16,851	Closing net worth	16,942	16,774	168	1.0	18,672
Core Crown revenue (excl NZS Fund)							
57,550	13,640	Core Crown revenue	14,116	14,436	(320)	(2.2)	61,165
518	111	Less NZS Fund revenue	127	112	15	13.4	590
872	259	Add back NZS Fund intra-segment revenue	(439)	(311)	(128)	(41.2)	(20)
57,904	13,788	Core Crown revenue (excl NZS Fund)	13,550	14,013	(463)	(3.3)	60,555
OBEGAL excluding NZS Fund							
(18,396)	(3,709)	Total Crown OBEGAL	(2,480)	(2,270)	(210)	(9.3)	(10,809)
518	111	Less NZS Fund revenue	127	112	15	13.4	590
111	23	Less NZS Fund external expenses	9	32	(23)	(71.9)	122
872	259	Add back NZS Fund tax	(439)	(311)	(128)	(41.2)	(20)
(17,931)	(3,538)	OBEGAL excluding NZS Fund	(3,037)	(2,661)	(376)	(14.1)	(11,297)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 30 Sep 2010 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 14: Payables							
7,337	5,800	Accounts payable	8,142	8,405	263	3.1	8,541
3,762	2,390	Taxes repayable	2,751	2,562	(189)	(7.4)	3,762
11,099	8,190	Total payables	10,893	10,967	74	0.7	12,303
NOTE 15: Insurance liabilities							
26,939	27,364	ACC liability	27,615	27,671	56	0.2	29,025
10,570	2,092	EQC property damage liability	9,724	9,751	27	0.3	7,616
2,082	-	AMI Liability	2,132	2,154	22	1.0	1,560
(277)	28	Other insurance liabilities	58	65	7	10.8	71
39,314	29,484	Total insurance liabilities	39,529	39,641	112	0.3	38,272
NOTE 16: Provisions							
612	76	Provision for ETS Credits	621	620	(1)	(0.1)	1,492
983	1,006	Provision for National Provident Fund guarantee	980	980	-	-	918
3,050	2,910	Provision for employee entitlements	3,104	3,026	(78)	(2.6)	2,990
1,039	-	Provision for Canterbury Red Zone support	1,032	1,031	(1)	(0.1)	610
567	-	Provision for weathertight services financial assistance package	567	567	-	-	556
1,335	1,301	Other provisions	1,077	1,160	83	7.1	2,503
7,586	5,293	Total provisions	7,381	7,384	3	-	9,069
NOTE 17: Changes in Net Worth							
31,087	31,087	Opening taxpayers funds	18,188	18,188	-	-	18,188
(13,360)	(2,354)	Operating balance excluding minority interest	(6,996)	(6,984)	(12)	(0.2)	(12,601)
461	17	Transfers from/(to) other reserves	10	10	-	-	44
18,188	28,750	Closing taxpayers funds	11,201	11,213	(12)	(0.1)	5,631
63,593	63,593	Opening revaluation reserve	62,690	62,690	-	-	62,690
(443)	(27)	Net revaluations	(42)	(23)	(19)	(82.6)	-
(460)	(15)	Transfers from/(to) other reserves	(10)	(10)	-	-	(44)
62,690	63,551	Closing revaluation reserve	62,638	62,657	(19)	-	62,646
(94)	(94)	Opening other reserves	(299)	(299)	-	-	(299)
(205)	(70)	Net movements	68	(2)	70	-	(4)
(299)	(164)	Closing other reserves	(231)	(301)	70	23.3	(303)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	3 months to 30 Sep 2010 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Reconciliation of core Crown operating cash flows to residual core Crown cash							
Core Crown Cash Flows from Operations							
51,454	11,861	Total tax receipts	12,304	12,533	(229)	(1.8)	54,801
646	165	Total other sovereign receipts	150	150	-	-	693
1,817	257	Interest, profits and dividends	343	276	67	24.3	1,462
2,094	493	Sale of goods & services and other receipts	661	622	39	6.3	2,895
(22,226)	(6,333)	Subsidies and transfer payments	(6,557)	(6,535)	(22)	(0.3)	(23,103)
(40,433)	(11,933)	Personnel and operating costs	(10,110)	(10,242)	132	1.3	(43,101)
(2,637)	(95)	Finance costs	(287)	(255)	(32)	(12.5)	(3,450)
-	-	Forecast for future new operating spending	-	-	-	-	(623)
-	-	Top-down expense adjustment	-	43	(43)	(100.0)	1,100
(9,285)	(5,585)	Net cash flows from core Crown operations	(3,496)	(3,408)	(88)	(2.6)	(9,326)
(1,524)	(364)	Net purchase of physical assets	(348)	(425)	77	18.1	(2,133)
(1,242)	(208)	Net increase in advances	(316)	(490)	174	35.5	(1,125)
(1,292)	(292)	Net purchase of investments	(331)	(328)	(3)	(0.9)	(1,160)
-	-	Forecast for future new capital spending	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	-	-	-	350
(13,343)	(6,449)	Residual cash	(4,491)	(4,651)	160	3.4	(13,636)
Financed by:							
(4,791)	2,024	Other net sale/(purchase) of marketable securities and deposits	4,640	1,426	3,214	225.4	6,517
(18,134)	(4,425)	Total operating and investing activities	149	(3,225)	3,374	104.6	(7,119)
Used in:							
(1,835)	(109)	Net (repayment)/issue of other New Zealand dollar borrowing	4,093	2,601	1,492	57.4	9,521
1,661	1,380	Net (repayment)/issue of foreign currency borrowing	(2,510)	(2,143)	(367)	(17.1)	(7,773)
234	40	Issues of circulating currency	140	9	131	-	89
(861)	(1,190)	Decrease/(increase) in cash	(4,659)	(1,121)	(3,538)	(315.6)	(1,250)
(801)	121		(2,936)	(654)	(2,282)	(348.9)	587
(18,935)	(4,304)	Net cash inflow/(outflow) to be offset by domestic bonds	(2,787)	(3,879)	1,092	28.2	(6,532)
Gross Cash Proceeds from Domestic Bonds							
19,468	4,299	Domestic bonds (market)	3,498	4,589	(1,091)	(23.8)	15,422
270	5	Domestic bonds (non-market)	-	-	-	-	448
19,738	4,304	Total gross cash proceeds from domestic bonds	3,498	4,589	(1,091)	(23.8)	15,870
-	-	Repayment of domestic bonds (market)	-	-	-	-	(7,602)
(803)	-	Repayment of domestic bonds (non-market)	(711)	(710)	(1)	(0.1)	(1,736)
(803)	-	Total repayment of domestic bonds	(711)	(710)	(1)	(0.1)	(9,338)
18,935	4,304	Net (repayments of)/cash proceeds from domestic bonds	2,787	3,879	(1,092)	(28.2)	6,532