

Financial Statements of the Government of New Zealand

For the Nine Months Ended
31 March 2012



Prepared by the Treasury
8 May 2012

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New Zealand Government



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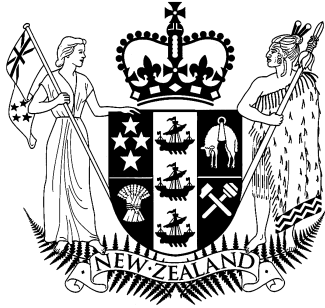
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance over the nine months ended 31 March 2012 and its financial position as at that date.

The March 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 nine months ended 31 March 2012 compared to *PREFU*

\$ million	Year to date				Full Year
	March	March	Variance to <i>PREFU</i>	Variance to <i>PREFU</i>	June
	2012	2012 <i>PREFU</i>			2012 <i>PREFU</i>
	Actual ¹	Forecast ¹	\$m	%	Forecast ²
Core Crown					
Core Crown tax revenue	39,756	41,326	(1,570)	(3.8)	55,451
Core Crown revenue	43,550	45,376	(1,826)	(4.0)	61,165
Core Crown expenses	50,988	52,740	1,752	3.3	74,460
Core Crown residual cash	(9,443)	(9,853)	410	4.2	(13,636)
Gross debt ³	75,928	77,453	1,525	2.0	79,779
as a percentage of GDP	37.1%	37.9%			37.7%
Net debt ⁴	50,060	50,604	544	1.1	53,823
as a percentage of GDP	24.5%	24.7%			25.4%
Total Crown					
Operating balance before gains and losses	(6,129)	(5,342)	(787)	(14.7)	(10,809)
Operating balance	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
Net worth	72,183	73,179	(996)	(1.4)	68,282

1 Using GDP for the year ended 31 December 2011 of \$204,503 million (Source: Statistics New Zealand)

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

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

4 Net core Crown debt excluding student loans and other advances

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

Results for the nine months ended 31 March 2012

Core Crown tax revenue was \$1,570 million (3.8%) lower than forecast at *PREFU* with the gap in revenue having widened significantly in the month of March. The Treasury's assessment is that this gap will narrow by approximately \$700 million before the end of the financial year because:

- 1 While the economy was generally weaker than expected to 31 March, stronger performance by some corporate taxpayers has also been observed during the reporting period. Consequently, a boost to tax revenue is expected to make up approximately \$400 million of lost ground in the final quarter of the financial year , and
- 2 The year-to-date March results include about \$300 million of timing differences (\$200 million in GST and \$100 million in corporate tax) that are mostly expected to reverse before 30 June.

The three main revenue tax-types continued to be below forecast. The specific drivers were:

- Corporate tax was \$659 million below forecast in the period and the Treasury anticipates a significant portion of this variance should clear by year end.

- GST was \$569 million below forecast mainly due to earthquake-related insurance refunds being above forecast, although the Treasury anticipates a temporary component of approximately \$200 million of this will reverse before the end of the fiscal year.
- Source deductions were \$236 million below forecast as the labour market and employment and wage growth have been weaker than forecast in the October 2011 *PREFU*.

Offsetting the tax revenue result, **core Crown expenditure** was \$1,752m (3.3%) lower than forecast. As reported last month, much of this difference was linked to associated revenue variances, or was primarily the result of delays in expenditure.

The operating balance before gains and losses (OBEGAL) deficit for the nine months to 31 March was \$787 million higher than forecast at \$6.13 billion. With lower-than-forecast core Crown expenditure offsetting all but \$74 million of the shortfall in core Crown revenue, the remainder of the deficit variance was primarily due to an increase in estimated earthquake costs, net of reinsurance, of approximately \$500 million, much of which related to the 23 December 2011 earthquake.

The **residual cash deficit** and **net debt** positions were respectively \$410 million and \$544 million lower than expected last October. With expenditure and revenue having had a similar impact on the Crown's cash position, the variances were largely attributable to delays in capital spending.

At 31 March, net debt stood at \$50.06 billion (24.5% of GDP) and gross debt stood at \$75.93 billion (37.1% of GDP).

The **operating balance deficit** at \$8.9 billion was \$1.3 billion (17.2%) higher than forecast. In addition to the OBEGAL difference of \$0.8 billion, higher-than-forecast actuarial losses on the GSF (\$1.3 billion) and ACC liabilities (\$0.4 billion) contributed to the variance. These losses were partially offset by gains recorded by the NZS Fund of \$0.5 billion, compared to forecast losses of \$0.7 billion, due to a rebound in global equities.

Further analysis of the March results follows.

ANALYSIS

Table 2 – Key indicator variances for the nine months ended 31 March 2012 compared to *PREFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	-\$1,826 million (lower than forecast)	<p>Core Crown tax revenue was \$1,570m or 3.8% lower than forecast. The largest components of the difference were:</p> <ul style="list-style-type: none"> • Corporate tax revenue was \$659m (11.0%) lower than forecast. Profitability for most sectors that returned assessments to the end of March continued to be weaker than expected at <i>PREFU</i>. However, most of this variance should clear by the end of the year as we expect the remaining sectors (due to report over the next quarter) to provide a boost to tax revenue. In addition, approximately \$100m is expected to reverse when tax payments are received from tax pools, although these may slip into the 2012/13 tax year. • GST revenue was \$569m (5.0%) below forecast. Earthquake-related GST refunds to insurance companies continue to account for approximately \$370m of this variance. With nominal consumption and residential investment in line with <i>PREFU</i>'s expectations, we believe the remaining difference (after insurance refunds) is timing related and will narrow by May 2012. • Source deductions were \$236m (1.5%) below forecast. The labour market has been slightly weaker than expected, with wage growth and employment below <i>PREFU</i> forecast. Consequently, this variance is expected to persist to the end of the year. <p>In addition to the tax revenue result, other core Crown revenue was also under forecast, by \$256m. The main components were:</p> <ul style="list-style-type: none"> • a review of child support penalties by IRD which led to the reversal of \$324m in penalties, and • a fall in the carbon price used to value surrendered ETS units (from a forecast of NZ\$15.90 per tonne to NZ\$10.60 as at 31 March) resulted in ETS revenue being \$133m below forecast. The change in price also impacted ETS expenditure, as noted below. <p>Both of these “other revenue” results were at least partly offset by associated underspends as detailed in the expenditure section below. “Other revenue” was also bolstered by unforecast revenue from:</p> <ul style="list-style-type: none"> • “Rugby New Zealand 2011” of \$108m, which was mostly offset by an expense for a RWC participation fee and qualification cost, and • The partial recovery of demolition costs in Christchurch by CERA (\$50m).
Core Crown expenses	\$1,752 million (lower than forecast)	<p>Core Crown expenses were 3.3% lower than forecast. There were six key drivers:</p> <ul style="list-style-type: none"> • The cost of units allocated under the ETS were \$470m lower than expected primarily due to the decrease in the carbon price of units mentioned above. • Impairment of child support debt was \$292m lower than forecast due to the review of child support penalties mentioned above. This means the impact of the review was largely fiscally neutral. • A number of Treaty settlement deeds totalling around \$262m were behind schedule. While most of these are still expected to be finalised this financial year, a proportion will fall into next year.

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

Item/indicator	Variance ¹	Key drivers
Core Crown expenses (continued)		<ul style="list-style-type: none"> Expenditure on transport projects was behind schedule by \$163m. The Auckland Rail Development, the National Land Transport Programme (NLTP) and the Metro Rail Rolling Stock Project were all behind forecast (\$88m, \$34m and \$40m respectively). A number of factors contributed to the rail underspends including subcontractor and tender delays. The NLTP was underspent following a revision of funding for Auckland's transport projects. Education expenses were \$126m lower than forecast mainly due to the timing of payments on demand-driven programmes, such as Early Childhood Education. These are (largely) expected to reverse before the end of the year. Defence expenditure was \$121m less than expected. This was largely due to delays in the delivery of new defence force assets, which meant that the associated costs of introducing the assets into service, depreciation and planned training exercises have been deferred. <p>The remainder of the difference was made up of relatively small variances across a number of departments.</p>
Core Crown residual cash deficit	\$410 million (lower than forecast)	<p>At \$9,443m, the core Crown residual cash deficit was \$410m lower than forecast. The difference was mainly due to capital spending and operating costs being \$778m and \$465m lower than forecast (respectively), which was partially offset by tax receipts being \$1,088m lower-than-expected.</p> <p>While operating expenses were \$1,752m below forecast, the impact on residual cash was diluted by non-cash expenses such as the ETS and child support impairment items mentioned above (representing \$762m of the total expense difference).</p> <p>Capital expenditure was \$778m below forecast, with the difference expected to persist to the end of the financial year. The key differences were:</p> <ul style="list-style-type: none"> net purchases of physical assets were \$444m lower than forecast, largely due to delays in acquiring and paying for defence assets (\$177m) and lower than anticipated expenditure on school property programmes (\$95m), and forecast advances by the NZ Debt Management Office (NZDMO) to DHBs and NZTA of \$281m were not drawn.
Gross debt	\$1,525 million (lower than forecast)	<p>Gross debt at \$75,928m was 2.0% lower than forecast. There were a number of contributors to the variance:</p> <ul style="list-style-type: none"> Government stock issuances by the NZDMO were \$949m lower than forecast mainly due to weaker-than-anticipated demand (\$853m) and the repurchase of more stock than expected from EQC (\$96m). DMO's collateral deposits from counterparties for derivative contracts were \$331m lower than forecast. This was mainly due to exchange rate movements that decreased the mark-to-market (MTM) value of derivatives. This decrease in value means less collateral is required from counterparties to offset credit exposure. Reserve Bank bond lending (borrowing) was \$208m lower than forecast due to fewer US Treasury securities being available to the bank for use as collateral. That is, instead of investing in US Treasury securities at the current low yields, higher levels of USD cash were held by Reserve Bank. <p>All the differences outlined were net debt neutral because they were offset by corresponding differences in holdings of financial assets.</p>
Net debt	\$544 million (lower than forecast)	<p>Net debt was 1.1% lower than expected at \$50,060m, largely reflecting the year-to-date residual cash position.</p>

Item/indicator	Variance	Key drivers
Total Crown		
Operating balance before gains and losses deficit	-\$787 million (higher than forecast)	<p>The OBEGAL deficit at \$6,129m was \$787m higher than forecast.</p> <p>With the core Crown revenue and expenditure results largely offsetting each other, the key driver of the remaining OBEGAL difference was the impact of an actuarial update of EQC's insurance claims liability. The updated estimate increased EQC's net earthquake-related insurance costs above forecast by approximately \$0.5b. This net increase was primarily driven by costs relating to the December 23 event, but this was partially offset by an increase in expected reinsurance receivables.</p>
Operating balance deficit	-\$1,311 million (higher than forecast)	<p>In addition to the \$787m OBEGAL difference detailed above, the main drivers of the operating deficit variance were:</p> <ul style="list-style-type: none"> • An unforecast loss of \$1,311m has been recorded in relation to the GSF liability. This loss was mainly due to an increase in the allowance for future mortality rate improvements (\$932m) as recognised in October. The remainder relates to the latest valuation as at 29 February which also included losses due to changes in the discount rate used to calculate the present value of the future expected GSF payments. • The year-to-date actuarial losses on ACC's liability for outstanding claims were \$388m higher than forecast. The losses were largely due to a decrease in the discount rate used to calculate the present value of expected claims payments, partially offset by favourable claims experience. <p>Partially offsetting these actuarial losses were gains made by the NZS Fund on its investment portfolio. Net gains of \$514m were recorded, exceeding the forecast net losses figure of \$711m by \$1,225m.</p>
Net worth	-\$996 million (lower than forecast)	<p>Net worth was lower than forecast, reflecting the higher-than-forecast operating balance deficit, as detailed above.</p>

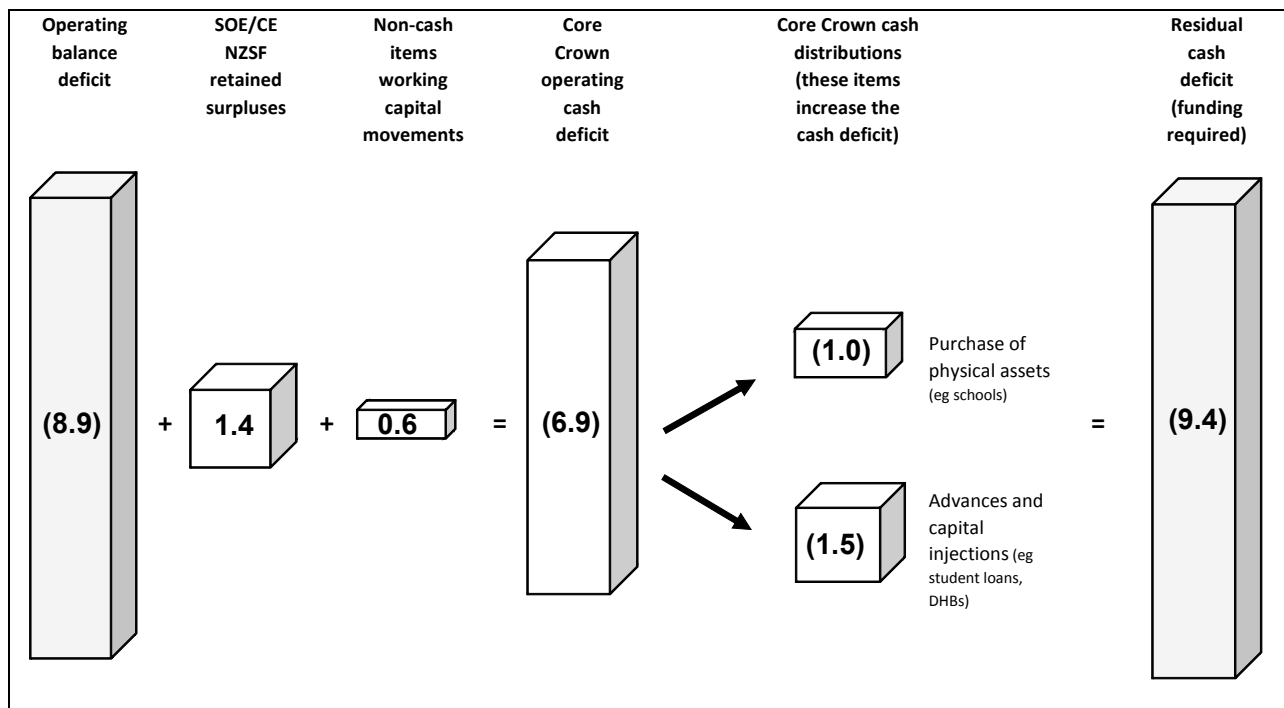
Table 3 – Fiscal Strategy and financial results

		Ref	31 Mar 2012 Actual \$m	31 Mar 2012 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Fiscal Strategy							
Financial Results							
Operating revenue Ensure sufficient revenue to meet the operating balance objective	Taxation as a % of GDP	1	25.9%	26.9%			26.2%
	Core Crown taxation revenue ...		39,756	41,326	(1,570)	(3.8)	55,451
	... combined with other core Crown revenue ...		3,794	4,050	(256)	(6.3)	5,714
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to 30% of GDP.	... fund core Crown expenses...		(50,988)	(52,740)	1,752	3.3	(74,460)
	... and with SOE and Crown entity results and core Crown gains and losses...		(1,493)	(256)	(1,237)	(483.2)	694
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	... result in an operating surplus or deficit...		(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
	...with income in SOEs, CEs and the NZS Fund retained...		1,433	(193)	1,626	-	(1,182)
	... and some items do not impact cash ...		566	1,249	(683)	(54.7)	4,457
	... leaving operating cash flows to ...		(6,932)	(6,564)	(368)	(5.6)	(9,326)
	... meet the capital expenditure budget ...		(962)	(1,306)	344	26.3	(2,025)
Debt Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and brought back to a level no higher than 20% of GDP by the early 2020's	... and make advances (e.g. to students and DHBs)		(1,549)	(1,983)	434	21.9	(2,285)
	With the residual cash ...		(9,443)	(9,853)	410	4.2	(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 ...		489	623	134	21.5	59
	... results in a closing net debt ...		50,060	50,604	544	1.1	53,823
	... and as a % of GDP		24.5%	24.7%			25.4%

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

	March 2012 Actual \$m	March 2011 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	39,756	37,907	1,849	4.9
Other revenue	3,794	3,606	188	5.2
Total Core Crown Revenue	43,550	41,513	2,037	4.9
Core Crown expenses				
Social security and welfare	16,530	16,129	401	2.5
GSF pension expenses	141	219	(78)	(35.6)
Health	10,591	10,245	346	3.4
Education	8,892	8,721	171	2.0
Core government services	2,992	2,787	205	7.4
Law and order	2,516	2,528	(12)	(0.5)
Defence	1,285	1,343	(58)	(4.3)
Transport and communications	1,613	1,681	(68)	(4.0)
Economic and industrial services	1,533	1,883	(350)	(18.6)
Primary services	457	510	(53)	(10.4)
Heritage, culture and recreation	1,242	1,538	(296)	(19.2)
Housing and community development	233	258	(25)	(9.7)
Other	283	310	(27)	(8.7)
Finance costs	2,680	2,198	482	21.9
Total Core Crown Expenses	50,988	50,350	638	1.3
Net surplus of SOE/CE's (and inter-segment eliminations)	1,309	(1,330)	2,639	198.4
OBEGAL	(6,129)	(10,167)	4,038	39.7
Total gains/(losses)	(2,965)	6,651	(9,616)	(144.6)
Other operating items	163	176	(13)	(7.4)
Operating Balance	(8,931)	(3,340)	(5,591)	(167.4)
Core Crown residual cash	(9,443)	(12,412)	2,969	23.9
Debt indicators				
Gross debt²	75,928	66,704	9,224	13.8
Net debt³	50,060	39,404	10,656	27.0

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 nine months ended 31 March 2012 increased by \$1.8 billion (4.9%) on the same period last year. GST was the largest contributor (\$759 million) to the rise as the increase in the rate of GST in October 2010 continues to flow into tax outturns. The next highest contributors were other individuals' tax and corporate tax, up \$430 million (21.7%) and \$316 million (6.3%) respectively, as profitability continues to recover following the 2008/09 recession.

Total **core Crown expenses** increased by \$638 million (1.3%) on the same period last year. The significant movements in core Crown functional expenses were as follows:

Functional expense	Movement from previous year	Main drivers of the change
Finance costs	+ \$482 million	<ul style="list-style-type: none">• A result of increased debt levels.
Social security and welfare	+ \$401 million	<ul style="list-style-type: none">• Indexation of welfare benefits and higher beneficiary recipient numbers.
Health	+ \$346 million	<ul style="list-style-type: none">• Funding provided in the 2011 Budget to maintain and improve existing service levels.
Economic and industrial services	- \$350 million	<ul style="list-style-type: none">• A reduction in KiwiSaver Member Tax Credits in the 2011 Budget.
Heritage, culture and recreation	- \$296 million	<ul style="list-style-type: none">• Reductions in the carbon price over the last 12 months have reduced the cost of units allocated under the ETS.
Other functional classes	+ \$55 million	
Total	+ \$638 million	

The **surplus of SOE/CE's** was \$1,309 million in the first nine months of this year, compared to a \$1,330 million deficit in the first nine months of the 2010/11 financial year. The change from last year is largely due to the impact of the Canterbury earthquakes on the EQC result in the 2010/11 financial year.

Total losses were \$2,965 million in the nine months to March 2012 due to weak global equity markets and increases in the valuation of the Crown's long-term liabilities (e.g. ACC and GSF). In contrast, strong global equity markets in the first nine months of the 2010/11 financial year resulted in total gains of \$6,651 million to 31 March 2011.

Debt

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



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

1 Reporting Entity

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

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

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

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

2 General Accounting Policies

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

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

3 Specific Accounting Policies

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

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

4 Forecasts

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

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

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

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

5 Comparative Figures

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

6 Variance Percentages

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

7 Judgements and Estimates

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

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

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

STATEMENT OF FINANCIAL PERFORMANCE

for the nine months ended 31 March 2012

Year to 30 Jun 2011	9 months to 31 Mar 2011			Current Year Actual vs Forecast				Annual
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
		Revenue						
51,128	37,488	Taxation revenue	1	39,399	40,960	(1,561)	(3.8)	54,957
5,281	3,822	Other sovereign revenue	1	3,783	4,111	(328)	(8.0)	5,563
56,409	41,310	Total Revenue Levied through the Crown's Sovereign Power		43,182	45,071	(1,889)	(4.2)	60,520
15,084	11,343	Sales of goods and services		12,366	12,300	66	0.5	16,825
2,570	1,898	Interest revenue and dividends	2	2,061	2,081	(20)	(1.0)	2,814
7,500	5,594	Other revenue		3,020	2,482	538	21.7	3,478
25,154	18,835	Total revenue earned through the Crown's operations		17,447	16,863	584	3.5	23,117
81,563	60,145	Total revenue (excluding gains)		60,629	61,934	(1,305)	(2.1)	83,637
		Expenses						
22,172	16,389	Social assistance and official development assistance	3	16,523	16,681	158	0.9	22,580
19,088	14,103	Personnel expenses	4	14,426	14,577	151	1.0	19,536
4,682	3,163	Depreciation and amortisation	5	3,314	3,353	39	1.2	4,562
35,829	25,261	Other operating expenses	5	26,070	27,491	1,421	5.2	40,685
3,596	2,861	Interest expenses	6	3,044	2,927	(117)	(4.0)	3,959
14,592	8,535	Insurance expenses	7	3,381	2,551	(830)	(32.5)	3,751
-	-	Forecast new operating spending	5	-	-	-	-	473
-	-	Top-down expense adjustment	5	-	(304)	(304)	(100.0)	(1,100)
99,959	70,312	Total expenses (excluding losses)		66,758	67,276	518	0.8	94,446
(18,396)	(10,167)	Operating balance before gains/(losses)		(6,129)	(5,342)	(787)	(14.7)	(10,809)
4,619	4,914	Net gains/(losses) on financial instruments	8	776	(511)	1,287	251.9	(4)
79	1,737	Net gains/(losses) on non-financial instruments	9	(3,741)	(1,968)	(1,773)	(90.1)	(2,064)
4,698	6,651	Total gains/(losses)		(2,965)	(2,479)	(486)	(19.6)	(2,068)
237	178	Net surplus/(deficit) from associates and joint ventures		164	201	(37)	(18.4)	276
(13,461)	(3,338)	Operating balance from continuing activities		(8,930)	(7,620)	(1,310)	(17.2)	(12,601)
-	(2)	Gain/(loss) from discontinued operations		(1)	-	(1)	-	-
(13,461)	(3,340)	Operating balance (including minority interest)		(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
101	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(13,360)	(3,340)	Operating balance	10	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)

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

STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 31 March 2012

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
(13,461)	(3,340)	Operating Balance (including minority interest)	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
		Other comprehensive income					
(443)	(62)	Revaluation of physical assets	2	(90)	92	102.2	-
(252)	31	Effective portion of changes in value of cash flow hedges	149	6	143	-	7
17	(16)	Net change in fair value of cash flow hedges transferred to operating balance	1	1	-	-	1
95	6	Net change in fair value of cash flow hedges transferred to the hedged item	(21)	-	(21)	-	(21)
(37)	3	Foreign currency translation differences for foreign operations	89	3	86	-	6
(1)	4	Valuation gains/(losses) on investments available for sale taken to reserves	8	(6)	14	233.3	3
1	(2)	Other movements	(1)	(2)	1	50.0	-
(620)	(36)	Total other comprehensive income	227	(88)	315	358.0	(4)
(14,081)	(3,376)	Total comprehensive income	(8,704)	(7,708)	(996)	(12.9)	(12,605)
		Attributable to:					
(74)	-	- minority interest in Air New Zealand	-	-	-	-	-
(14,007)	(3,376)	- the Crown	(8,704)	(7,708)	(996)	(12.9)	(12,605)
(14,081)	(3,376)	Total comprehensive income	(8,704)	(7,708)	(996)	(12.9)	(12,605)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the nine months ended 31 March 2012

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Total Crown expenses							
25,324	18,641	Social security and welfare	19,004	19,480	476	2.4	26,047
311	223	GSF pension expenses	146	157	11	7.0	210
13,068	9,746	Health	10,181	10,093	(88)	(0.9)	13,809
12,406	9,291	Education	9,464	9,642	178	1.8	13,052
5,515	2,736	Core government services	2,959	3,108	149	4.8	7,018
3,567	2,675	Law and order	2,651	2,740	89	3.2	3,823
1,778	1,323	Defence	1,252	1,376	124	9.0	1,856
8,402	6,222	Transport and communications	6,398	6,617	219	3.3	8,943
18,818	11,712	Economic and industrial services	7,114	6,001	(1,113)	(18.5)	8,884
1,603	1,197	Primary services	1,122	1,306	184	14.1	1,710
3,437	2,591	Heritage, culture and recreation	2,332	2,711	379	14.0	3,898
1,655	784	Housing and community development	808	830	22	2.7	1,158
479	310	Other	283	592	309	52.2	706
3,596	2,861	Finance costs	3,044	2,927	(117)	(4.0)	3,959
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(304)	(304)	(100.0)	(1,100)
99,959	70,312	Total Crown expenses excluding losses	66,758	67,276	518	0.8	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	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Core Crown expenses							
22,005	16,129	Social security and welfare	16,530	16,877	347	2.1	22,560
305	219	GSF pension expenses	141	150	9	6.0	201
13,753	10,245	Health	10,591	10,564	(27)	(0.3)	14,350
11,650	8,721	Education	8,892	9,018	126	1.4	12,269
5,563	2,787	Core government services	2,992	3,196	204	6.4	7,138
3,382	2,528	Law and order	2,516	2,606	90	3.5	3,635
1,809	1,343	Defence	1,285	1,406	121	8.6	1,903
2,281	1,681	Transport and communications	1,613	1,776	163	9.2	2,468
2,609	1,883	Economic and industrial services	1,533	1,686	153	9.1	2,529
706	510	Primary services	457	514	57	11.1	783
1,966	1,538	Heritage, culture and recreation	1,242	1,657	415	25.0	2,490
876	258	Housing and community development	233	281	48	17.1	400
479	310	Other	283	592	309	52.2	706
3,066	2,198	Finance costs	2,680	2,721	41	1.5	3,655
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(304)	(304)	(100.0)	(1,100)
70,450	50,350	Core Crown expenses excluding losses	50,988	52,740	1,752	3.3	74,460

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

STATEMENT OF CASH FLOWS

for the nine months ended 31 March 2012

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Cash Flows From Operations							
Cash was provided from							
50,418	36,324	Taxation receipts	38,230	39,412	(1,182)	(3.0)	54,070
4,693	3,750	Other sovereign receipts	3,768	3,764	4	0.1	4,884
14,899	11,315	Sales of goods and services	12,717	12,133	584	4.8	16,424
2,682	1,975	Interest and dividends	1,891	1,890	1	0.1	2,602
2,990	2,055	Other operating receipts	3,361	3,245	116	3.6	5,164
75,682	55,419	Total cash provided from operations	59,967	60,444	(477)	(0.8)	83,144
Cash was disbursed to							
Social assistance and official development assistance							
22,172	16,800	Personnel and operating payments	17,309	17,434	125	0.7	23,089
55,152	42,348	Interest payments	45,146	44,950	(196)	(0.4)	62,029
3,107	1,793	Forecast new operating spending	2,527	2,463	(64)	(2.6)	4,100
-	-	Top-down expense adjustment	-	-	-	-	623
-	-		-	(304)	(304)	(100.0)	(1,100)
80,431	60,941	Total cash disbursed to operations	64,982	64,543	(439)	(0.7)	88,741
(4,749)	(5,522)	Net cash flows from operations	(5,015)	(4,099)	(916)	(22.3)	(5,597)
Cash Flows From Investing Activities							
Cash was provided from/(disbursed to)							
(5,996)	(4,871)	Net purchase of physical assets	(4,266)	(5,661)	1,395	24.6	(7,841)
(8,405)	(1,424)	Net purchase of shares and other securities	(6,952)	980	(7,932)	-	(2)
(600)	(300)	Net purchase of intangible assets	(413)	(365)	(48)	(13.2)	(582)
(1,003)	(160)	Net (issue)/repayment of advances	(783)	(1,634)	851	52.1	(1,673)
173	52	Net acquisition of investments in associates	33	7	26	371.4	(30)
-	-	Capital contingency provision	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	100	(100)	(100.0)	350
(15,831)	(6,703)	Net cash flows from investing activities	(12,381)	(6,573)	(5,808)	(88.4)	(10,020)
(20,580)	(12,225)	Net cash flows from operating and investing activities	(17,396)	(10,672)	(6,724)	(63.0)	(15,617)
Cash Flows From Financing Activities							
Cash was provided from/(disbursed to)							
234	349	Issues of circulating currency	262	62	200	322.6	89
21,088	12,851	Net issue/(repayment) of Government stock ¹	16,139	6,589	9,550	144.9	10,312
1,809	2,418	Net issue/(repayment) of foreign currency borrowing	(7,286)	(7,018)	(268)	(3.8)	(7,720)
81	(2,209)	Net issue/(repayment) of other New Zealand dollar borrowing	11,406	11,418	(12)	(0.1)	12,454
23,212	13,409	Net cash flows from financing activities	20,521	11,051	9,470	85.7	15,135
2,632	1,184	Net movement in cash	3,125	379	2,746	-	(482)
7,774	7,774	Opening Cash Balance	9,801	9,801	-	-	9,801
(605)	(206)	Foreign-exchange gains/(losses) on opening cash	75	(135)	210	155.6	(134)
9,801	8,752	Closing Cash Balance	13,001	10,045	2,956	29.4	9,185

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

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the nine months ended 31 March 2012

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
(4,749)	(5,522)	Net Cash Flows from Operations	(5,015)	(4,099)	(916)	(22.3)	(5,597)
		Items included in the operating balance but not in net cash flows from operations.					
		Gains/(losses)					
4,619	4,914	Gains/(losses) on other financial instruments	776	(511)	1,287	251.9	(4)
79	1,737	Gains/(losses) on other non-financial instruments	(3,741)	(1,968)	(1,773)	(90.1)	(2,064)
4,698	6,651	Total gains/(losses)	(2,965)	(2,479)	(486)	(19.6)	(2,068)
		Other Non-cash Items in Operating Balance					
(4,682)	(3,163)	Depreciation and amortisation	(3,314)	(3,353)	39	1.2	(4,562)
(807)	(693)	Write-down on initial recognition of loans Impairment on financial assets	(711)	(652)	(59)	(9.0)	(798)
105	49	(excluding receivables) Decrease/(increase) in defined benefit retirement plan liabilities	46	60	(14)	(23.3)	79
358	281		434	323	111	34.4	475
(13,179)	(3,962)	Decrease/(increase) in insurance liabilities	2,466	3,251	(785)	(24.1)	2,460
238	177	Other	162	202	(40)	(19.8)	281
(17,967)	(7,311)	Total other non-cash Items	(917)	(169)	(748)	(442.6)	(2,065)
		Movements in Working Capital					
6,605	2,510	Increase/(decrease) in receivables	(1,951)	(3,077)	1,126	36.6	(1,532)
(599)	(1,144)	Increase/(decrease) in accrued interest	(346)	(274)	(72)	(26.3)	353
149	106	Increase/(decrease) in inventories	26	20	6	30.0	11
39	393	Increase/(decrease) in prepayments	353	209	144	68.9	4
(46)	(62)	Decrease/(increase) in deferred revenue	6	91	(85)	(93.4)	164
(1,490)	1,039	Decrease/(increase) in payables/provisions	1,878	2,158	(280)	(13.0)	(1,871)
4,658	2,842	Total movements in working capital	(34)	(873)	839	96.1	(2,871)
(13,360)	(3,340)	Operating Balance	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)

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

STATEMENT OF CHANGES IN NET WORTH

for the nine months ended 31 March 2012

Year to 30 Jun 2011	9 months to 31 Mar 2011		Current Year Actual vs Forecast				Annual Forecast
Actual \$m	Actual \$m		Actual \$m	Forecast \$m	Variance \$m	%	\$m
94,988	94,988	Opening net worth	80,887	80,887	-	-	80,887
(13,461)	(3,340)	Operating balance (including minority interest)	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
(443)	(62)	Net revaluations	2	(90)	92	102.2	-
(279)	36	Transfers to/(from) reserves	157	(1)	158	-	7
17	(16)	(Gains)/losses transferred to the statement of financial performance	1	1	-	-	1
85	6	Other movements	67	2	65	-	(12)
(14,081)	(3,376)	Total comprehensive income	(8,704)	(7,708)	(996)	(12.9)	(12,605)
(20)	-	Transactions with minority interest in Air New Zealand	-	-	-	-	-
80,887	91,612	Closing net worth	72,183	73,179	(996)	(1.4)	68,282

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

As at 30 Jun 2011 Actual \$m	As at 31 Mar 2011 Actual \$m			Current Year Actual vs Forecast				Annual Forecast \$m
			Note	Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
9,801	8,752	Cash and cash equivalents	11	13,001	10,045	2,956	29.4	9,185
21,690	18,704	Receivables	11	19,259	18,250	1,009	5.5	18,798
		Marketable securities, deposits and						
49,056	43,756	derivatives in gain	11	43,720	42,978	742	1.7	42,497
14,248	14,285	Share investments	11	14,680	17,402	(2,722)	(15.6)	18,443
20,567	19,694	Advances	11	21,259	21,845	(586)	(2.7)	22,181
1,308	1,266	Inventory		1,334	1,329	5	0.4	1,320
1,996	2,079	Other assets		2,392	2,176	216	9.9	1,946
114,854	115,205	Property, plant & equipment	12	116,298	117,713	(1,415)	(1.2)	119,067
9,301	9,321	Equity accounted investments ¹		9,813	9,839	(26)	(0.3)	9,689
2,394	2,453	Intangible assets and goodwill ²		2,474	2,482	(8)	(0.3)	2,597
-	-	Forecast for new capital spending		-	-	-	-	242
-	-	Top-down capital adjustment		-	(100)	100	100.0	(350)
245,215	235,515	Total assets		244,230	243,959	271	0.1	245,615
Liabilities								
4,254	4,370	Issued currency		4,516	4,334	(182)	(4.2)	4,361
11,099	8,567	Payables	14	11,292	11,147	(145)	(1.3)	12,303
1,674	1,690	Deferred revenue		1,668	1,583	(85)	(5.4)	1,510
90,245	84,290	Borrowings		97,441	98,465	1,024	1.0	101,237
39,314	29,942	Insurance liabilities	15	38,533	37,360	(1,173)	(3.1)	38,272
10,156	9,372	Retirement plan liabilities		11,934	10,733	(1,201)	(11.2)	10,581
7,586	5,672	Provisions	16	6,663	7,158	495	6.9	9,069
164,328	143,903	Total liabilities		172,047	170,780	(1,267)	(0.7)	177,333
80,887	91,612	Total assets less total liabilities		72,183	73,179	(996)	(1.4)	68,282
Net Worth								
18,188	27,892	Taxpayer funds	17	9,406	10,594	(1,188)	(11.2)	5,631
62,690	63,384	Revaluation reserve	17	62,542	62,572	(30)	-	62,646
(299)	(66)	Other reserves	17	(73)	(295)	222	75.3	(303)
80,579	91,210	Total net worth attributable to the Crown		71,875	72,871	(996)	(1.4)	67,974
308	402	Net worth attributable to minority interest in Air New Zealand		308	308	-	-	308
80,887	91,612	Total net worth		72,183	73,179	(996)	(1.4)	68,282

¹ Tertiary education institutions constitute most equity accounted investments.

² Intangible assets include the Kyoto net asset of \$189 million.

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

STATEMENT OF BORROWINGS

as at 31 March 2012

As at 30 Jun 2011 Actual \$m	As at 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
46,018	41,365	Government stock ¹	48,756	50,190	1,434	2.9	52,630
7,028	7,447	Treasury bills	8,651	8,781	130	1.5	8,997
261	267	Government retail stock	242	258	16	6.2	258
6,276	6,239	Settlement deposits with Reserve Bank	6,778	5,429	(1,349)	(24.8)	5,429
2,767	2,121	Derivatives in loss	2,637	2,943	306	10.4	2,638
1,176	1,049	Finance lease liabilities	1,086	1,091	5	0.5	1,556
26,719	25,802	Other borrowings	29,291	29,773	482	1.6	29,729
90,245	84,290	Total borrowings	97,441	98,465	1,024	1.0	101,237
67,765	62,568	Sovereign-guaranteed debt	72,694	73,983	1,289	1.7	76,415
22,480	21,722	Non sovereign-guaranteed debt	24,747	24,482	(265)	(1.1)	24,822
90,245	84,290	Total borrowings	97,441	98,465	1,024	1.0	101,237
		Net Debt:					
76,885	71,307	Core Crown borrowings ²	81,809	82,224	415	0.5	84,636
405	131	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(517)	(786)	(269)	(34.2)	(872)
77,290	71,438	Gross sovereign-issued debt³	81,292	81,438	146	0.2	83,764
65,400	59,435	Less core Crown financial assets ⁴	61,905	61,536	369	0.6	61,028
11,890	12,003	Net core Crown debt (incl NZS Fund)⁵	19,387	19,902	515	2.6	22,736
16,159	15,744	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	17,958	17,686	272	1.5	18,171
28,049	27,747	Net core Crown debt (excl NZS Fund)⁵	37,345	37,588	243	0.6	40,907
12,079	11,657	Core crown advances	12,715	13,016	301	2.3	12,916
40,128	39,404	Net core Crown debt (excl NZS Fund and advances)⁷	50,060	50,604	544	1.1	53,823
		Gross Debt:					
77,290	71,438	Gross sovereign-issued debt ³	81,292	81,438	146	0.2	83,764
(6,470)	(6,334)	Less Reserve Bank settlement cash and Reserve Bank bills	(6,964)	(5,585)	1,379	24.7	(5,585)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
72,420	66,704	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	75,928	77,453	1,525	2.0	79,779

Notes on gross and net debt:

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

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

STATEMENT OF COMMITMENTS

as at 31 March 2012

	As at 31 Mar 2012 \$m	As at 30 Jun 2011 \$m	As at 31 Mar 2011 \$m
Capital Commitments			
Specialist military equipment	331	369	387
Land and buildings	609	701	820
Other property, plant and equipment	6,921	7,032	7,025
Other capital commitments	344	408	220
Tertiary Education Institutions	413	413	302
Total capital commitments	8,618	8,923	8,754
Operating Commitments			
Non-cancellable accommodation leases	2,757	2,909	2,871
Other non-cancellable leases	2,974	3,171	3,209
Non-cancellable contracts for the supply of goods and services	5,382	5,520	2,253
Other operating commitments	7,477	7,415	7,340
Tertiary Education Institutions	366	366	304
Total operating commitments	18,956	19,381	15,977
Total commitments	27,574	28,304	24,731
Total Commitments by Segment			
Core Crown	12,521	22,129	12,751
Crown entities	12,879	12,925	11,137
State-owned Enterprises	10,485	10,410	7,917
Inter-segment eliminations	(8,311)	(17,160)	(7,074)
Total commitments	27,574	28,304	24,731

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 March 2012

	As at 31 Mar 2012 \$m	As at 30 Jun 2011 \$m	As at 31 Mar 2011 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	461	78	102
Uncalled capital	5,206	4,033	4,340
Legal proceedings and disputes	358	331	401
Other contingent liabilities	2,202	2,699	3,361
Total quantifiable contingent liabilities	8,227	7,141	8,204
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,000	6,884	7,874
Crown entities	93	173	261
State-owned Enterprises	134	84	69
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,227	7,141	8,204
Quantifiable Contingent Assets			
Core Crown	684	702	701
Crown entities	20	2	3
Total quantifiable contingent assets	704	704	704

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1: Revenue Collected Through the Crown's Sovereign Power							
Taxation Revenue (accrual)							
Individuals							
20,857	15,573	Source deductions	15,764	16,001	(237)	(1.5)	21,304
3,791	2,730	Other persons	3,187	3,197	(10)	(0.3)	4,290
(1,679)	(1,105)	Refunds	(1,129)	(1,064)	(65)	(6.1)	(1,616)
462	359	Fringe benefit tax	356	335	21	6.3	440
23,431	17,557	Total individuals	18,178	18,469	(291)	(1.6)	24,418
Corporate Tax							
6,687	4,437	Gross companies tax	4,846	5,548	(702)	(12.7)	8,025
(197)	(139)	Refunds	(153)	(184)	31	16.8	(260)
467	362	Non-resident withholding tax	345	322	23	7.1	427
-	-	Foreign-source dividend w/holding payments	4	-	4	-	-
6,957	4,660	Total corporate tax	5,042	5,686	(644)	(11.3)	8,192
Other Income Tax							
1,704	1,285	Resident w/holding tax on interest income	1,269	1,257	12	1.0	1,646
195	129	Resident w/holding tax on dividend income	186	140	46	32.9	207
2	2	Estate and gift duties	-	-	-	-	-
1,901	1,416	Total other income tax	1,455	1,397	58	4.2	1,853
32,289	23,633	Total income tax	24,675	25,552	(877)	(3.4)	34,463
Goods and Services Tax							
23,484	17,034	Gross goods and services tax	18,639	19,053	(414)	(2.2)	25,626
(9,776)	(7,078)	Refunds	(7,924)	(7,769)	(155)	(2.0)	(10,557)
13,708	9,956	Total goods and services tax	10,715	11,284	(569)	(5.0)	15,069
Other Taxation							
1,016	761	Road user charges	786	806	(20)	(2.5)	1,073
872	623	Petroleum fuels excise - domestic production	616	670	(54)	(8.1)	921
623	517	Alcohol excise - domestic production	497	539	(42)	(7.8)	712
220	145	Tobacco excise - domestic production	218	178	40	22.5	210
575	427	Petroleum fuels excise - imports ¹	460	460	-	-	640
229	177	Alcohol excise - imports ¹	185	190	(5)	(2.6)	245
924	746	Tobacco excise - imports ¹	751	778	(27)	(3.5)	956
188	146	Other customs duty	135	139	(4)	(2.9)	178
214	156	Gaming duties	162	169	(7)	(4.1)	224
172	129	Motor vehicle fees	131	127	4	3.1	168
62	46	Approved issuer levy and cheque duty	43	41	2	4.9	60
36	26	Energy resources levies	25	27	(2)	(7.4)	38
5,131	3,899	Total other indirect taxation	4,009	4,124	(115)	(2.8)	5,425
18,839	13,855	Total indirect taxation	14,724	15,408	(684)	(4.4)	20,494
51,128	37,488	Total taxation revenue	39,399	40,960	(1,561)	(3.8)	54,957
Other Sovereign Revenue (accrual)							
3,586	2,691	ACC levies	2,814	2,800	14	0.5	3,686
312	234	Fire Service levies	248	236	12	5.1	309
88	65	EQC levies	72	77	(5)	(6.5)	103
1,295	832	Other miscellaneous items	649	998	(349)	(35.0)	1,465
5,281	3,822	Total other sovereign revenue	3,783	4,111	(328)	(8.0)	5,563
56,409	41,310	Total sovereign revenue	43,182	45,071	(1,889)	(4.2)	60,520

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1 (continued): Receipts Collected Through the Crown's Sovereign Power							
Income Tax Receipts (cash)							
Individuals							
20,699	15,549	Source deductions	15,622	15,853	(231)	(1.5)	21,212
4,386	2,622	Other persons	2,750	2,880	(130)	(4.5)	4,897
(2,463)	(1,867)	Refunds	(1,843)	(1,774)	(69)	(3.9)	(2,342)
457	340	Fringe benefit tax	327	318	9	2.8	439
23,079	16,644	Total individuals	16,856	17,277	(421)	(2.4)	24,206
Corporate Tax							
7,588	5,477	Gross companies tax	6,002	6,654	(652)	(9.8)	8,603
(772)	(522)	Refunds	(461)	(578)	117	20.2	(918)
462	358	Non-resident withholding tax	324	321	3	0.9	427
(1)	(2)	Foreign-source dividend w/holding payments	4	-	4	-	-
7,277	5,311	Total corporate tax	5,869	6,397	(528)	(8.3)	8,112
Other Income Tax							
1,701	1,213	Resident w/holding tax on interest income	1,205	1,191	14	1.2	1,645
196	126	Resident w/holding tax on dividend income	186	138	48	34.8	206
2	2	Estate and gift duties	-	-	-	-	-
1,899	1,341	Total other income tax	1,391	1,329	62	4.7	1,851
32,255	23,296	Total income tax	24,116	25,003	(887)	(3.5)	34,169
Goods and Services Tax							
22,162	15,831	Gross goods and services tax	17,990	17,730	260	1.5	24,370
(9,177)	(6,716)	Refunds	(7,925)	(7,425)	(500)	(6.7)	(9,896)
12,985	9,115	Total goods and services tax	10,065	10,305	(240)	(2.3)	14,474
Other Taxation							
1,015	760	Road user charges	791	806	(15)	(1.9)	1,073
869	653	Petroleum fuels excise - domestic production	635	688	(53)	(7.7)	921
625	474	Alcohol excise - domestic production	499	537	(38)	(7.1)	712
181	154	Tobacco excise - domestic production	223	180	43	23.9	210
2,005	1,519	Customs duty	1,554	1,528	26	1.7	2,019
216	157	Gaming duties	162	170	(8)	(4.7)	225
171	123	Motor vehicle fees	120	127	(7)	(5.5)	168
60	47	Approved issuer levy and cheque duty	40	41	(1)	(2.4)	61
36	26	Energy resources levies	25	27	(2)	(7.4)	38
5,178	3,913	Total other indirect taxation	4,049	4,104	(55)	(1.3)	5,427
18,163	13,028	Total indirect taxation	14,114	14,409	(295)	(2.0)	19,901
50,418	36,324	Total tax receipts collected	38,230	39,412	(1,182)	(3.0)	54,070
Other Sovereign Receipts (cash)							
3,612	2,856	ACC levies	2,878	2,974	(96)	(3.2)	3,712
312	234	Fire Service levies	248	236	12	5.1	309
88	68	EQC levies	67	75	(8)	(10.7)	135
681	592	Other miscellaneous items	575	479	96	20.0	728
4,693	3,750	Total other sovereign receipts	3,768	3,764	4	0.1	4,884
55,111	40,074	Total sovereign receipts	41,998	43,176	(1,178)	(2.7)	58,954

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011	9 months to 31 Mar 2011		Current Year Actual vs Forecast				Annual Forecast
Actual \$m	Actual \$m		Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 2: Interest Revenue and Dividends							
<i>By type</i>							
2,142	1,614	Interest revenue	1,711	1,704	7	0.4	2,272
428	284	Dividends	350	377	(27)	(7.2)	542
2,570	1,898	Total interest revenue and dividends	2,061	2,081	(20)	(1.0)	2,814
<i>By source</i>							
2,169	1,194	Core Crown	1,394	1,445	(51)	(3.5)	2,039
1,234	694	Crown entities	860	1,030	(170)	(16.5)	1,325
801	605	State-owned Enterprises	638	616	22	3.6	828
(1,634)	(595)	Inter-segment eliminations	(831)	(1,010)	179	17.7	(1,378)
2,570	1,898	Total interest revenue and dividends	2,061	2,081	(20)	(1.0)	2,814
NOTE 3: Social Assistance and Official Development Assistance							
8,830	6,525	New Zealand superannuation	7,110	7,113	3	-	9,597
1,757	1,309	Domestic purposes benefit	1,361	1,372	11	0.8	1,840
943	730	Unemployment benefit	688	664	(24)	(3.6)	860
1,306	975	Invalids benefit	994	991	(3)	(0.3)	1,327
2,139	1,571	Family tax credit	1,526	1,562	36	2.3	2,131
1,197	902	Accommodation supplement	903	903	-	-	1,199
743	552	Sickness benefit	581	575	(6)	(1.0)	770
620	417	Student allowances	440	439	(1)	(0.2)	634
409	308	Disability allowances	303	303	-	-	403
1,042	767	KiwiSaver	504	508	4	0.8	685
2,691	2,010	Other social assistance benefits	1,779	1,890	111	5.9	2,590
21,677	16,066	Total social assistance	16,189	16,320	131	0.8	22,036
495	323	Official development assistance	334	361	27	7.5	544
22,172	16,389	Total social assistance and official development assistance	16,523	16,681	158	0.9	22,580
NOTE 4: Personnel Expenses							
5,996	4,425	Core Crown	4,348	4,457	109	2.4	6,011
10,410	7,704	Crown entities	7,994	8,019	25	0.3	10,724
2,695	1,981	State-owned Enterprises	2,092	2,108	16	0.8	2,811
(13)	(7)	Inter-segment eliminations	(8)	(7)	1	14.3	(10)
19,088	14,103	Total personnel expenses	14,426	14,577	151	1.0	19,536
NOTE 5: Operating Expenses							
<i>By type</i>							
4,682	3,163	Depreciation and amortisation	3,314	3,353	39	1.2	4,562
35,829	25,261	Other operating expenses	26,070	27,491	1,421	5.2	40,685
-	-	Forecast new operating spending	-	-	-	-	473
-	-	Top-down expense adjustment	-	(304)	(304)	(100.0)	(1,100)
40,511	28,424	Total operating expenses	29,384	30,540	1,156	3.8	44,620
<i>By source</i>							
39,157	27,294	Core Crown	27,421	28,870	1,449	5.0	42,197
17,905	13,277	Crown entities	13,213	13,437	224	1.7	18,433
9,567	7,367	State-owned Enterprises	8,242	8,092	(150)	(1.9)	10,993
(26,118)	(19,514)	Inter-segment eliminations	(19,492)	(19,859)	(367)	(1.8)	(27,003)
40,511	28,424	Total operating expenses	29,384	30,540	1,156	3.8	44,620

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 Actual \$m	9 months to 31 Mar 2011 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 6: Interest Expenses						
By type						
3,545	2,828	3,033	2,892	(141)	(4.9)	3,914
51	33	11	35	24	68.6	45
3,596	2,861	3,044	2,927	(117)	(4.0)	3,959
Total interest expenses						
By source						
3,066	2,198	2,680	2,721	41	1.5	3,655
248	180	187	200	13	6.5	266
1,027	761	807	840	33	3.9	1,129
(745)	(278)	(630)	(834)	(204)	(24.5)	(1,091)
3,596	2,861	3,044	2,927	(117)	(4.0)	3,959
Total interest expenses						
NOTE 7: Insurance Expenses						
By entity						
2,979	2,264	2,181	2,283	102	4.5	3,129
11,776	6,251	987	83	(904)	-	427
(163)	20	213	185	(28)	(15.1)	195
14,592	8,535	3,381	2,551	(830)	(32.5)	3,751
Total insurance expenses						
NOTE 8: Gains and Losses on Financial Instruments						
By source						
4,116	3,941	978	(417)	1,395	334.5	36
1,058	1,287	633	(82)	715	-	32
(281)	(136)	(309)	(80)	(229)	(286.3)	(86)
(274)	(178)	(526)	68	(594)	-	14
4,619	4,914	776	(511)	1,287	251.9	(4)
Net gains/(losses) on financial instruments						
NOTE 9: Gains and Losses on Non-Financial Instruments						
By type						
(574)	287	(2,211)	(900)	(1,311)	(145.7)	(900)
996	1,151	(1,685)	(1,297)	(388)	(29.9)	(1,418)
(343)	299	155	229	(74)	(32.3)	254
79	1,737	(3,741)	(1,968)	(1,773)	(90.1)	(2,064)
Net gains/(losses) on non-financial instruments						
By source						
(588)	484	(2,129)	(808)	(1,321)	(163.5)	(834)
931	1,139	(1,748)	(1,303)	(445)	(34.2)	(1,429)
(264)	115	136	144	(8)	(5.6)	199
-	(1)	-	(1)	1	100.0	-
79	1,737	(3,741)	(1,968)	(1,773)	(90.1)	(2,064)
Net gains/(losses) on non-financial instruments						
NOTE 10: Operating Balance						
By source						
(9,267)	(4,379)	(8,551)	(8,530)	(21)	(0.2)	(14,010)
(3,143)	965	215	277	(62)	(22.4)	538
327	696	278	803	(525)	(65.4)	1,097
(1,277)	(622)	(873)	(170)	(703)	(413.5)	(226)
(13,360)	(3,340)	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
Total operating balance						

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 Mar 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Financial Assets and Sovereign Receivables							
9,801	8,752	Cash and cash equivalents	13,001	10,045	2,956	29.4	9,185
7,104	7,508	Tax receivables	7,167	7,649	(482)	(6.3)	7,348
14,586	11,196	Trade and other receivables	12,092	10,601	1,491	14.1	11,450
7,460	7,261	Student loans	7,968	7,977	(9)	(0.1)	7,932
11,495	11,158	Kiwibank mortgages	12,308	12,623	(315)	(2.5)	12,950
2,259	2,152	Long-term deposits	2,024	2,020	4	0.2	2,402
2,168	2,269	IMF financial assets	2,189	2,306	(117)	(5.1)	2,346
1,612	1,275	Other advances	983	1,245	(262)	(21.0)	1,299
14,248	14,285	Share investments	14,680	17,402	(2,722)	(15.6)	18,443
5,415	3,963	Derivatives in gain	5,007	4,487	520	11.6	4,188
39,214	35,372	Other marketable securities	34,500	34,165	335	1.0	33,561
115,362	105,191	Total financial assets and sovereign receivables	111,919	110,520	1,399	1.3	111,104
Financial assets by entity							
29,928	25,195	NZDMO	22,872	24,228	(1,356)	(5.6)	23,314
17,909	17,582	Reserve Bank of New Zealand	18,472	16,928	1,544	9.1	16,752
18,687	18,554	NZ Superannuation Fund	19,327	18,270	1,057	5.8	18,872
19,116	18,827	Other core Crown	19,766	20,170	(404)	(2.0)	19,110
(9,165)	(8,631)	Intra-segment eliminations	(8,455)	(8,303)	(152)	(1.8)	(7,538)
76,475	71,527	Total core Crown segment	71,982	71,293	689	1.0	70,510
21,569	18,436	ACC portfolio	23,527	22,196	1,331	6.0	24,548
9,305	8,717	EQC portfolio	7,486	7,337	149	2.0	6,495
8,831	6,718	Other Crown entities	8,937	8,497	440	5	8,284
(3,314)	(1,584)	Intra-segment eliminations	(3,471)	(3,467)	(4)	(0.1)	(3,426)
36,391	32,287	Total Crown entities segment	36,479	34,563	1,916	5.5	35,901
20,241	17,566	Total State-owned enterprises segment	20,778	20,872	(94)	(0.5)	20,789
(17,745)	(16,189)	Inter-segment eliminations	(17,320)	(16,208)	(1,112)	(6.9)	(16,096)
115,362	105,191	Total financial assets	111,919	110,520	1,399	1.3	111,104

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 Mar 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 12: Property, Plant and Equipment					
		Net Carrying Value					
		<i>By class of asset:</i>					
16,372	16,607	Land (valuation)	16,382	16,507	(125)	(0.8)	16,774
24,539	24,458	Buildings (valuation)	24,287	24,824	(537)	(2.2)	25,514
2,690	2,458	Electricity distribution network (cost)	3,096	3,128	(32)	(1.0)	3,267
14,439	13,802	Electricity generation assets (valuation)	14,745	14,989	(244)	(1.6)	15,208
1,805	2,294	Aircraft (excl military) (valuation)	2,167	2,120	47	2.2	2,048
25,126	25,541	State highways (valuation)	25,580	25,778	(198)	(0.8)	25,842
12,749	12,675	Rail network (valuation)	12,938	12,933	5	-	12,986
3,331	3,322	Specialist military equipment (valuation)	3,247	3,373	(126)	(3.7)	3,271
8,133	8,466	Specified cultural and heritage assets (valuation)	8,152	8,152	-	-	8,169
5,670	5,582	Other plant and equipment (cost)	5,704	5,909	(205)	(3.5)	5,988
114,854	115,205	Total net carrying value	116,298	117,713	(1,415)	(1.2)	119,067
		<i>By source:</i>					
29,549	30,059	Core Crown	29,391	29,825	(434)	(1.5)	30,121
48,480	49,004	Crown entities	48,831	49,436	(605)	(1.2)	50,148
36,825	36,142	State-owned enterprises	38,076	38,452	(376)	(1.0)	38,798
-	-	Inter-segment eliminations	-	-	-	-	-
114,854	115,205	Total net carrying value	116,298	117,713	(1,415)	(1.2)	119,067
		Movement note					
		Cost or valuation					
123,941	123,941	Opening balance	126,601	126,601	-	-	126,601
6,644	5,160	Additions (refer below)	5,403	6,632	(1,229)	(18.5)	8,673
(1,283)	(462)	Disposals	(353)	(183)	(170)	(92.9)	(371)
(2,471)	51	Net revaluations	(107)	(161)	54	33.5	50
(230)	(240)	Other	(235)	206	(441)	(214.1)	231
126,601	128,450	Total cost or valuation	131,309	133,095	(1,786)	(1.3)	135,184
		Accumulated depreciation and impairment					
10,611	10,611	Opening balance	11,747	11,747	-	-	11,747
(832)	(197)	Eliminated on disposal	(278)	(58)	(220)	(379.3)	(109)
(1,884)	-	Eliminated on revaluation	(40)	-	(40)	-	-
3,727	2,722	Depreciation expense	2,866	2,897	(31)	(1.1)	3,952
125	109	Other	716	796	(80)	(10.1)	527
11,747	13,245	Total accumulated depreciation and impairment	15,011	15,382	(371)	(2.4)	16,117
114,854	115,205	Total property, plant and equipment	116,298	117,713	(1,415)	(1.2)	119,067
		Additions - by functional classification					
2,807	2,176	Transport and communications	1,729	1,925	(196)	(10.2)	2,401
1,200	824	Economic and industrial services	1,341	1,563	(222)	(14.2)	2,115
648	655	Education	1,093	1,194	(101)	(8.5)	886
617	406	Health	410	648	(238)	(36.7)	992
258	344	Defence	255	468	(213)	(45.5)	690
1,114	755	Other	575	834	(259)	(31.1)	1,589
6,644	5,160	Total additions	5,403	6,632	(1,229)	(18.5)	8,673

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	9 months to 31 Mar 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
518	359	Revenue	384	433	(49)	(11.3)	590
872	709	Less current tax expense	272	(108)	(380)	(351.9)	(20)
169	158	Less other expenses ¹	91	130	39	30.0	171
3,518	3,329	Add gains/(losses)	514	(711)	1,225	172.3	(425)
2,995	2,821	Operating balance	535	(300)	835	278.3	14
15,656	15,656	Opening net worth	18,652	18,652	-	-	18,652
2,995	2,821	Operating balance	535	(300)	835	278.3	14
1	2	Other movements in reserves	2	6	(4)	(66.7)	6
18,652	18,479	Closing net worth	19,189	18,358	831	4.5	18,672
comprising:							
18,687	18,554	Financial assets	19,327	18,270	1,057	5.8	18,872
(1,161)	(1,100)	Financial liabilities	(1,275)	(1,207)	(68)	(5.6)	(1,436)
1,126	1,025	Net other assets	1,137	1,295	(158)	(12.2)	1,236
18,652	18,479	Closing net worth	19,189	18,358	831	4.5	18,672
Core Crown revenue (excl NZS Fund)							
57,550	41,513	Core Crown revenue	43,550	45,376	(1,826)	(4.0)	61,165
518	359	Less NZS Fund revenue	384	433	(49)	(11.3)	590
872	709	Add back NZS Fund intra-segment revenue	272	(108)	380	351.9	(20)
57,904	41,863	Core Crown revenue (excl NZS Fund)	43,438	44,835	(1,397)	(3.1)	60,555
OBEGAL excluding NZS Fund							
(18,396)	(10,167)	Total Crown OBEGAL	(6,129)	(5,342)	(787)	(14.7)	(10,809)
518	359	Less NZS Fund revenue	384	433	(49)	(11.3)	590
111	63	Add back NZS Fund external expenses	52	92	(40)	(43.5)	122
872	709	Add back NZS Fund tax	272	(108)	380	351.9	(20)
(17,931)	(9,754)	OBEGAL excluding NZS Fund	(6,189)	(5,791)	(398)	(6.9)	(11,297)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2011 \$m	As at 31 Mar 2011 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 14: Payables							
7,337	5,564	Accounts payable	8,657	8,285	(372)	(4.5)	8,541
3,762	3,003	Taxes repayable	2,635	2,862	227	7.9	3,762
11,099	8,567	Total payables	11,292	11,147	(145)	(1.3)	12,303
NOTE 15: Insurance liabilities							
26,939	24,471	ACC liability	27,249	26,839	(410)	(1.5)	29,025
10,570	5,422	EQC property damage liability	9,160	8,321	(839)	(10.1)	7,616
2,082	-	AMI Liability	2,067	2,132	65	3.0	1,560
59	49	Other insurance liabilities	57	68	11	16.2	71
(336)	-	Inter-segment eliminations	-	-	-	-	-
39,314	29,942	Total insurance liabilities	38,533	37,360	(1,173)	(3.1)	38,272
NOTE 16: Provisions							
612	701	Provision for ETS Credits	600	1,041	441	42.3	1,492
983	988	Provision for National Provident Fund guarantee	940	941	1	0.1	918
3,050	2,818	Provision for employee entitlements	2,956	2,880	(76)	(2.6)	2,990
1,039	-	Provision for Canterbury Red Zone support package	524	723	199	27.5	610
567	-	Provision for weathertight services financial assistance package	567	567	-	-	556
1,335	1,165	Other provisions	1,076	1,006	(70)	(6.9)	2,503
7,586	5,672	Total provisions	6,663	7,158	495	6.9	9,069
NOTE 17: Changes in Net Worth							
31,087	31,087	Opening taxpayers funds	18,188	18,188	-	-	18,188
(13,360)	(3,340)	Operating balance excluding minority interest	(8,931)	(7,620)	(1,311)	(17.2)	(12,601)
461	145	Transfers from/(to) other reserves	149	26	123	473.1	44
18,188	27,892	Closing taxpayers funds	9,406	10,594	(1,188)	(11.2)	5,631
63,593	63,593	Opening revaluation reserve	62,690	62,690	-	-	62,690
(443)	(62)	Net revaluations	2	(90)	92	102.2	-
(460)	(147)	Transfers from/(to) other reserves	(150)	(28)	(122)	(435.7)	(44)
62,690	63,384	Closing revaluation reserve	62,542	62,572	(30)	-	62,646
(94)	(94)	Opening other reserves	(299)	(299)	-	-	(299)
(205)	28	Net movements	226	4	222	-	(4)
(299)	(66)	Closing other reserves	(73)	(295)	222	75.3	(303)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2011 \$m	9 months to 31 Mar 2011 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Reconciliation of core Crown operating cash flows to residual core Crown cash							
Core Crown Cash Flows from Operations							
51,454	37,264	Total tax receipts	38,974	40,062	(1,088)	(2.7)	54,801
646	572	Total other sovereign receipts	516	456	60	13.2	693
1,817	896	Interest, profits and dividends	1,136	1,000	136	13.6	1,462
2,094	1,383	Sale of goods & services and other receipts	2,110	2,047	63	3.1	2,895
(22,226)	(16,842)	Subsidies and transfer payments	(17,319)	(17,444)	125	0.7	(23,103)
(40,433)	(31,228)	Personnel and operating costs	(30,329)	(30,973)	644	2.1	(43,101)
(2,637)	(1,296)	Finance costs	(2,020)	(2,016)	(4)	(0.2)	(3,450)
-	-	Forecast for future new operating spending	-	-	-	-	(623)
-	-	Top-down expense adjustment	-	304	(304)	(100.0)	1,100
(9,285)	(9,251)	Net cash flows from core Crown operations	(6,932)	(6,564)	(368)	(5.6)	(9,326)
(1,524)	(1,096)	Net purchase of physical assets	(962)	(1,406)	444	31.6	(2,133)
(1,242)	(1,015)	Net increase in advances	(793)	(1,104)	311	28.2	(1,125)
(1,292)	(1,050)	Net purchase of investments	(756)	(879)	123	14.0	(1,160)
-	-	Forecast for future new capital spending	-	-	-	-	(242)
-	-	Top-down capital adjustment	-	100	(100)	(100.0)	350
(13,343)	(12,412)	Residual cash	(9,443)	(9,853)	410	4.2	(13,636)
Financed by:							
(4,791)	(70)	Other net sale/(purchase) of marketable securities and deposits	7,409	5,677	1,732	30.5	6,517
(18,134)	(12,482)	Total operating and investing activities	(2,034)	(4,176)	2,142	51.3	(7,119)
Used in:							
(1,835)	(2,709)	Net (repayment)/issue of other New Zealand dollar borrowing	9,022	8,748	274	3.1	9,521
1,661	2,183	Net (repayment)/issue of foreign currency borrowing	(7,221)	(7,064)	(157)	(2.2)	(7,773)
234	349	Issues of circulating currency	262	62	200	322.6	89
(861)	(732)	Decrease/(increase) in cash	(2,222)	(1,088)	(1,134)	(104.2)	(1,250)
(801)	(909)		(159)	658	(817)	(124.2)	587
(18,935)	(13,391)	Net cash inflow/(outflow) to be offset by domestic bonds	(2,193)	(3,518)	1,325	37.7	(6,532)
Gross Cash Proceeds from Domestic Bonds							
19,468	13,590	Domestic bonds (market)	11,090	12,318	(1,228)	(10.0)	15,422
270	219	Domestic bonds (non-market)	-	-	-	-	448
19,738	13,809	Total gross cash proceeds from domestic bonds	11,090	12,318	(1,228)	(10.0)	15,870
-	-	Repayment of domestic bonds (market)	(7,602)	(7,602)	-	-	(7,602)
(803)	(418)	Repayment of domestic bonds (non-market)	(1,295)	(1,198)	(97)	(8.1)	(1,736)
(803)	(418)	Total repayment of domestic bonds	(8,897)	(8,800)	(97)	(1.1)	(9,338)
18,935	13,391	Net (repayments of)/cash proceeds from domestic bonds	2,193	3,518	(1,325)	(37.7)	6,532

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: Sale of AMI

The sale of the ongoing business of AMI Insurance to IAG was completed on 5 April 2012. As part of the deal, the Crown took over ownership of AMI Insurance's Canterbury earthquake-related claims which are held by a new Crown company, Southern Response Earthquake Services Ltd.

The sale of AMI for \$380 million will result in a gain on sale being reported in the Financial Statements of Government for April 2012 which will have a positive impact on the Crown's operating balance (but not OBEGAL). Completion accounts are being prepared by AMI and any adjustment to the final gain on sale will be reported in the Financial Statements of Government for June 2012.